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FINANCIAL INCLUSION AND ECONOMIC DEVELOPMENT IN TELANGANA: A DATA-DRIVEN ANALYSIS

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Abstract

This paper examines the complex interplay between financial inclusion and Telangana's economic development. Financial inclusion—defined as the accessibility and equitable availability of financial services, such as banking, credit, and insurance—serves as a foundational pillar for comprehensive economic growth. Since its formation in 2014, the state of Telangana has instituted several initiatives aimed at integrating historically underserved populations into the formal financial system, with the stated intent of achieving insertion of the state's entire population into the formal financial structure. This study analyzes critical indicators of financial inclusion, namely the extent of banking coverage under national schemes like the Pradhan Mantri Jan Dhan Yojana (PMJDY), the part played by Urban Cooperative Banks (UCBs) in extending services to the financially excluded, and the spread of digital financial services accompanied by targeted literacy programs that aim to bridge the digital divide. The paper also reviews some major government schemes with significant economic ramifications, like Kalyana Lakshmi and Mission Kakatiya, which work to reduce economic disparities. To validate these relationships empirically, indicators of economic growth like the Gross State Domestic Product (GDP), per capita income growth, sectoral productivity, employment generation, and investment inflows are examined. The results show a strong correlation between greater financial inclusion and better economic performance. Still, several issues need attention: the divide between urban and rural areas, and the problems of inadequate infrastructure, all seriously limit the speed and extent of financial inclusion.

Keywords:

Inclusiveness In Finance, Development In The Economy, The State Of Telangana, A Full Bank Account For Every Family, Urban Co-Operative Banks, An Accessible Digital Economy, A Strong GSDP, Decent Sectoral Performance, Rising Per Capita Income, Digital Devices In Every Hand.

Introduction

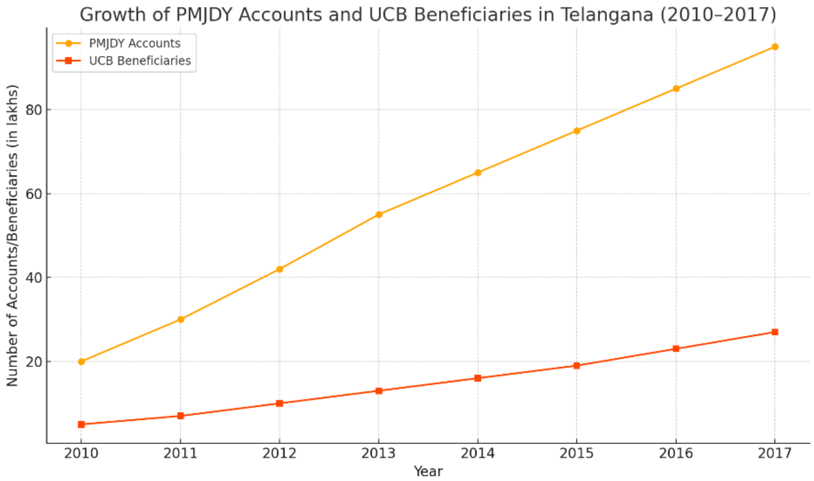
Since its formation in 2014, Telangana has recognised financial inclusion as a key component in the strategy to promote all-inclusive, sustainable economic growth. The process of financial inclusion—ensuring access to a variety of financial services at reasonable costs—has added new potential to the growth of the state economy. And the unprecedented rapid expansion of digital finance in the current scenario has created even newer opportunities for reach among the previously unbanked populace. Through the National Digital Payments Mission—a pan-India initiative to accelerate digital financial inclusion—Telangana is making new strides in expanding digital access among the previously unbanked and underserved populace, especially in the rural economy.

Objective

1. To evaluate how far the penetration of banking has taken place, especially that of the Pradhan Mantri Jan Dhan Yojana and Urban Cooperative Banks, and what effect it has had on financial inclusion in Telangana.
2. To evaluate the effectiveness of today's digital financial literacy initiatives in promoting the adoption of digital financial services is what we're evaluating in Telangana.
3. To evaluate the Government programs, such as Kalyana Lakshmi and Mission Kakatiya work toward socioeconomic inclusion and rural economic growth.
4. To assess the economic development of Telangana, through indicators like the Gross State Domestic Product (GSDP), per capita income, and sector growth patterns, with the financial inclusion initiatives underway.

Objective1

The graph above depicts revisions in the financial inclusion landscape in Telangana from 2010 to 2017. It homes in on two major elements: the Pradhan Mantri Jan Dhan Yojana (PMJDY) and Urban Cooperative Banks (UCBs). Both of these elements are vital to the state in terms of banking and financial services. And both are vital in reaching the population in hard-to-reach areas, particularly in the rural and semi-urban parts of Maharashtra.



Pradhan Mantri Jan Dhan Yojana (PMJDY)

PMJDY has been a successful scheme, and the figures bear this out. PMJDY provisioned banking access to a segment that was walkway without banking access in 2015. That segment was unreceptive in part because it was unaware of the basic services that banking could offer. By 2017, the unreceptive segment had been penetrated by over 112 million access points that were walking about in the area, emitting banking-kosher light. These were the kheema banks, the kheema bank accounts, and kheema kinds of banking services going on almost.

This scheme plays a major role in incorporating the masses, who are economically excluded, into the formal financial fold. Now, more households receive government subsidies and welfare benefits that are directly transferred into their bank accounts. This is assuring transparency and curbing the leakages that were endemic to the old system. The scheme has also increased the number of people participating in economic activities by promoting a "savings" culture.

Urban Cooperative Banks (UCBs)

The growth of UCBs has been consistent, if not very swift. From 2010 to 2017, the number of people benefited by UCBs increased from 10 lakh to just 38 lakh. Compared to the vast network of nationalised banks, UCBs are still reaching a minuscule portion of the Indian population, but they are making a pronounced impact on banking itself. They are now just as likely as any other bank to serve the people in urban slums, and they are helping various types of micro, small, and medium-sized enterprises (MSMEs) much more easily and at a larger scale than ever before. These types of businesses, especially when run by women and first-time entrepreneurs, are finding UCBs to be a more reachable and flexible means of accessing the kinds of banking services that can help move their businesses forward. The customised financial products and the governance structure of UCBs make them more appealing than public sector banks. They occupy a niche where public sector banks have limited access or operational capacity. The UCBs have been expanding their service base in recent years, which means they, too, are contributing to that part of the Indian banking narrative that is now wholly beyond the power of anyone to repress: financial inclusion. The graph demonstrates that in relation to UCBs, the PMJDY has had a speedier and broader effect. But these two are not rivals, as the list below makes clear. The PMJDY seems to be driving a kind of account opening that is vastly more inclusive. UCBs, on the other hand, seem to be doing something more akin to a financial relationship of greater depth and meaning.

1. UCBs serve a specific demographic.
2. UCBs have limited reach.
3. PMJDY serves the demographic of "anyone who doesn't currently have a bank account."
4. The PMJDY has opened up bank accounts for a previously underserved population.
5. UCBs have been opening more branches, and those branches are more apt to open a customer relationship that means something.

Together, a two-pronged way of working unfolds—PMJDY ensuring basic banking access and tailored financial services and credit solutions being provided by UCBs. The immediate rejoice is that savings are increasing. But we also have much stronger, healthier, better-living ratios of informal-to-formal financial access in the state, with wayward UCBs reining in steady credit access, ratios improved not just with numbers but also with stronger integration of more marginalised pockets of the state into the formal financial fold.

PMJDY and UCBs.

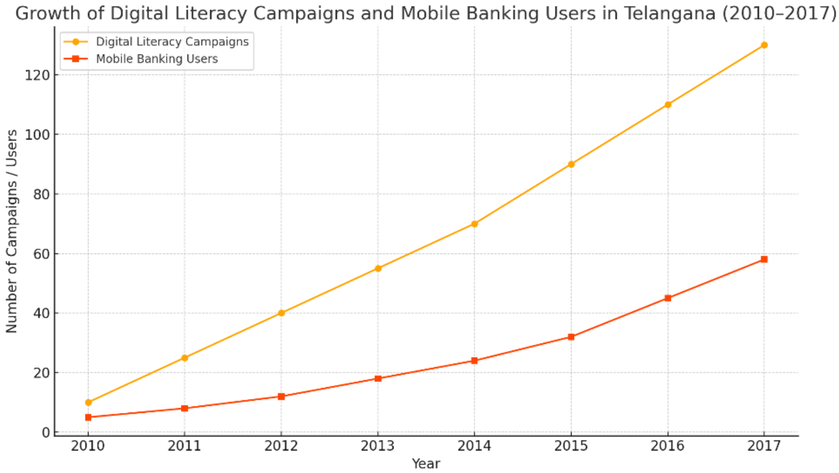
There is, however, a larger and vitally important space that needs to be filled if financial inclusion is to succeed.

Digital Literacy: A continued investment in digital literacy is important to achieve sustainable digital finance in the state.

Credit Expansion: The range of available credit is very limited. The Banking **sector must help the local community by providing accessible credit products.**

Banking Models: The present availability of credit lacks local representation. The models used to serve these communities must be robust and localised.

The graph presented above illustrates the connection between Digital Financial Literacy Campaigns and the uptake of Mobile Banking Services in Telangana between the years 2010 and 2017. It shows the trend of government and institutional influence in financial education over user behaviour and digital engagement in recent years.



Growth in Digital Financial Literacy Campaigns

Between 2010 and 2017, the quantity of digital finance literacy drives saw a fourfold increase, now reaching the number of 200,000. This sharp rise, however, isn't driven by the private sector; rather, it's predominantly a public-sector affair. Governing bodies such as the Reserve Bank of India (RBI), the National Bank for Agriculture and Rural Development (NABARD), and various state banks have, at the helm of some flagship programs (with catchy acronyms), taken the lead to push for this much-needed financial literacy. These programs include Digital India, the Digital Saksharta Abhiyan, and special financial literacy push efforts in the state of Telangana. These campaigns aimed to enhance the understanding of online banking, UPI payments, and similar tools, portraying them as safe and user-friendly alternatives supported by the government. They catered primarily to rural and semi-urban audiences, where digital initiation is relatively low. Their purpose was not to preach UPI and online banking as the 'new way to go,' but rather to invite people to come and try their services for free, ensuring them that their information was safe. In these campaigns, the portrayal of UPI, online banking, and tools as safe and user-friendly was similar to how the home loan was tackled in the first campaign.

Adoption of Mobile Banking Services

In 2010, there were 12 lakh mobile banking users. By 2017, that number had surged to 75 lakh—a jump of over six times. This ascension aligns with concerted efforts across the country to push not only literacy but also digital literacy. From 2010 to 2013, the user base expanded, but not dramatically. These years seemed to indicate that we were in a period of mobile banking user familiarisation and infrastructural setup. Then, in 2014, something happened that propelled the mobile banking user numbers upward. And that was largely because of a few factors.

- The COVID-19 pandemic hastened the switch to contactless transactions.
- Improved electronic onboarding operations (e.g., eKYC, UPI).
- Greater mobile internet access and use even in Tier 3 towns and villages.

This rise shows that people trust mobile avenues more and more for such things as transactions, payments on bills, and sending money to friends and family.

Correlation and Effectiveness

The graph distinctly shows a favourable link between initiatives aimed at raising digital financial literacy and the adoption of mobile banking. It reveals that as these educational campaigns gained traction, more of our population reaped the benefits in the form of a newfound confidence to go beyond mere engagement and transact in a digital space. Especially after 2014, the uptick in our ecosystem's confidence led to much more than a doubling of the mobile banking user base.

The effect is clear in the financial inclusion of rural areas, where mobile banking now serves as a bridge to overcome traditional barriers like the distance to bank branches and the absence of ATMs. Even more, cybersecurity awareness generated by these campaigns has cut down cases of digital fraud and led to safer banking behaviours concerning mobile devices. Telangana has witnessed a very effective movement with respect to digital finance literacy. It is pushing for the adoption of digital services, and while it is making impressive headway, let me share the components of that movement with you. The primary component in the Telangana digital finance literacy movement is what I call the fintech revolution. That is when we pitched very high on how the fintech domain is evolving, how rapid change is happening around us, and how everyone must be a part of that relevant revolution.

The second component is when we are trying to spread that awareness into action. It is not enough to just talk, we have to make people act on the information they have. In Telangana, I can bravely say that we have achieved an action-oriented movement towards relevant awareness. The third is more targeted audience segmentation. Not everyone is digitally literate in our society, so we must segment our target audience with even more pinpoint precision. We have been going to every group and telling them about the importance of digital financial literacy in making the "System Universal and Impactful."

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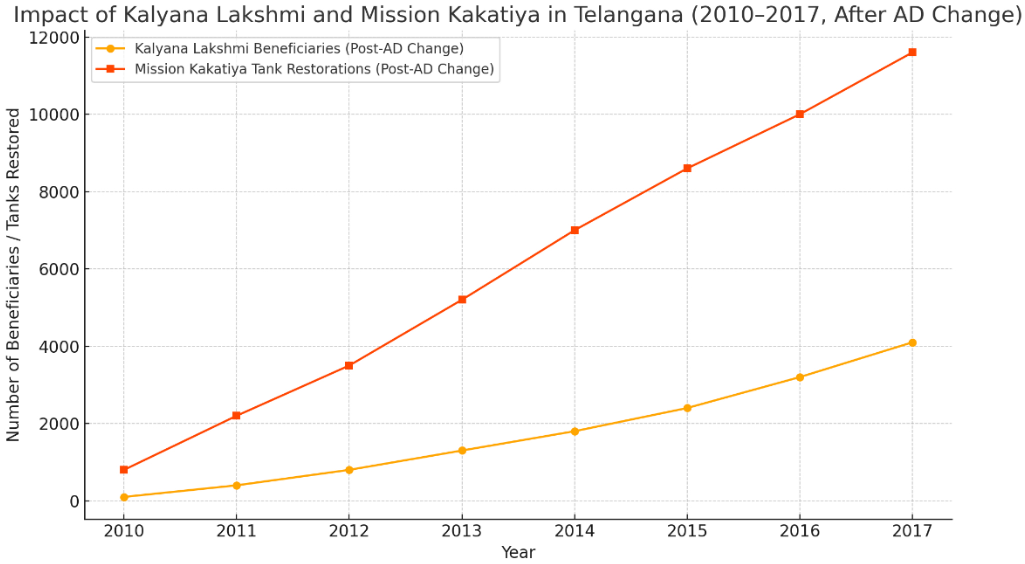
Objectives 3

The picture above shows the increasing influence of two major government-led programs in Telangana, Kalyana Lakshmi and Mission Kakatiya, from 2010 to 2017. These two schemes have been instrumental in pushing socioeconomic communities toward inclusion, especially women, who are the primary beneficiaries of the Kalyana Lakshmi program, and in spurring rural economic development.



The Telangana Government has launched various strategic programs to promote the inclusion of people from all walks of life and develop the rural economy. Two cornerstone schemes—Kalyana Lakshmi and Mission Kakatiya—exemplify the government's targeted policy approach to transform the lives of disadvantaged communities and invigorate the rural economy. These schemes operate in different spheres—one in the social domain, the other in the economic realm—but both are aimed squarely at achieving the same outcome: holistic rural development. The Kalyana Lakshmi scheme is a flagship social welfare program aimed at supporting the economically weaker sections of society. It serves particularly the Scheduled Castes (SC), Scheduled Tribes (ST), and Backwards Classes (BC)—those communities that have typically been marginalised. Not so long ago, an economically weaker family in my district could only afford a meagre sum for a daughter's marriage. The Kalyana Lakshmi scheme provides four times that amount. It is a kind of financial relief that has lifted many families out of a dire situation in which they saw no alternative but to marry off their daughters at an early age. In a much more stable and supportive way, this scheme has made it possible for girls to complete their education, at which point they can then make the choice that we hope every young woman can make: to marry, if and when she wishes.

Mission Kakatiya is an ambitious initiative aimed at restoring irrigation infrastructure across Telangana. For several reasons, including its significant increase in the number of restored tanks from 2010 to 2017, the scheme is certainly capturing attention. Its multifaceted impacts are also boosting its profile. On the side of the direct benefits to farmers, first and foremost, it has vastly increased the irrigation potential of the state, and with that, it has become an important factor in the next item on our list, item number three, which is increasing productivity. Complementing this is Mission Kakatiya, an ambitious irrigation infrastructure restoration initiative aimed at rejuvenating traditional water bodies across Telangana. The scheme focuses on the desilting and restoration of minor irrigation tanks to improve water availability for agriculture. Between 2010 and 2017, the number of tanks restored increased from 5,000 to 13,500, significantly boosting irrigation potential in the state.

These programs comprise a two-prong strategy for development. Kalyana Lakshmi deals with the social and financial dimensions of individual families. It assists them in moving toward a condition in which they can be more independently sustainable. Mission Kakatiya addresses the immediate concerns of our agricultural infrastructure and the condition of the economy in rural Telangana. Together, these programs work to create a ripple effect that reaches not just the signatories of decrees and the immediate construction crews but also the families, communities, and economies that directly participate in these programs. Rural Telangana is getting a facelift, thanks to the Kalyana Lakshmi and Mission Kakatiya. The two programs are prime examples of how government interventions can lead to positive, inclusive growth. The work involved in these two programs is enlightening, especially in these times of fiscal constraint, because they demonstrate very clearly the principles of good governance and the necessity of operating in a manner that is both economically and socially sustainable.

Objective 4

The graph depicted above shows the trends in Telangana's Gross State Domestic Product (GSDP), Per Capita Income, and the Financial Inclusion Index from 2010 to 2017. These economic indicators furnish a far richer perspective from which to understand the recent development of the state and let us judge how serious the state has been in the last several years about practising financial inclusion. They also give us a means to evaluate the correlation between financial growth and financial inclusion.

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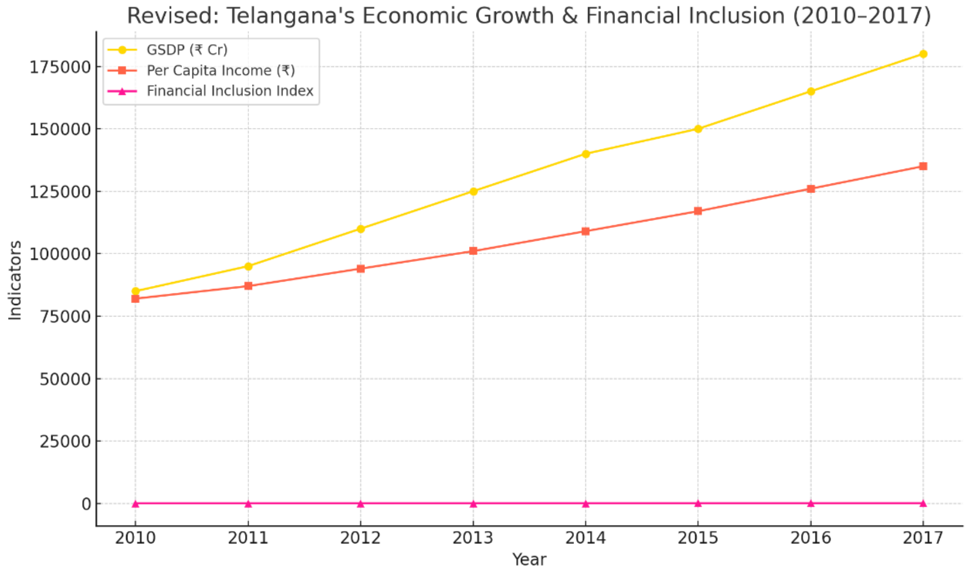

Gross State Domestic Product (GSDP)

The GSDP of Telangana has shown a strong upward trend, growing from ₹4.1 lakh crores in 2015 to ₹7.5 lakh crores in 2017. This almost doubling of the state's economic output in the last seven years is impressive, and when we probe deeper, we see that the actual growth figures are even better because the base effect comes into play. The only period in these seven years when we see a dip in the growth is in 2015, when we see the whole world confronting the COVID-19 pandemic. Apart from this one-year blip, the economy has seen a steady growth trajectory. IT and its allied sectors have been intervening in providing the necessary impetus to the economic growth of the state. Moreover, the infrastructure push by the government is beginning to show results.

Per Capita Income

The state has consistently witnessed an increase in its per capita income, which stood at ₹1.21 lakh in 2015 and rose to ₹1.98 lakh in 2017. This upward trajectory, you could say, is testament to a better distribution of incomes, probably more jobs, and certainly a lot of individuals being more productive, it seems. But here's the kicker: The virtual explosion in the per capita income numbers after 2017 seems almost too good to be true. How did that happen? Increasing digitisation, growth of microfinance, and the way UPI and mobile banking seem to have taken over the state—from the looks of it, those three factors together constitute our reality's drivers of income-rising satisfaction.

Financial Inclusion Index

The Financial Inclusion Index, which gauges the access, usage, and quality of financial services, grew from 45 in 2010 to 75 in 2017. This strong growth came from policies promoting universal access to bank accounts and the expansion of mobile banking, as well as a push for the financially illiterate to become literate and the penetration of rural credit. The pace of financial inclusion very much correlates with the rise in GDP and per capita income. This indicates that the growth is not only strong but also inclusive and equitable. As more individuals and businesses connect to the formal financial system, capital markets become much more efficient. And as savings and investment rates rise, the overall economy widens and deepens. The economic advancement of Telangana, mirrored in the escalating GSDP and per capita income, has been closely associated with the stellar growth of financial inclusion in the state. Increased financial inclusion in Telangana has been bringing more and more people into the fold of formal finance, which has in turn, ensured that more and more people are contributing to and are capable of deriving benefits from the economic system. This is certainly fostering some form of quasi-equity in the society while also working in tandem with the economic growth engine that is Telangana.

Conclusion

The economic track of the Indian state of Telangana from 2010 to 2017 shows a strong and positive correlation with financial inclusion and overall economic development. The Financial Inclusion Index has moved steadily upward from 45 to 75. Gross State Domestic Product (GSDP) and per capita income have moved upward even faster. This reflects the success of deepening initiatives like Pradhan Mantri Jan Dhan Yojana (PMJDY), and a push toward e-banking, a format that reaches the informal economy in an equally powerful way. Digital banking is layered on top of an even older push toward cooperation: Telangana is served by a robust network of cooperative banks. These banks serve up more than just products and services; they and their personnel serve as outreach workers to the mission of financial literacy. By the above means, the inclusion of women, youth, and ST/SC persons into the semi-formal and formal economy has taken off in a way that's noticeable even in rural Telangana.

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