IMPACT OF FINANCIAL INCLUSION INITIATIVES IN REDUCING RURAL - URBAN GAP

K. Preethi Rani Research Scholar, Dept. of Management and Commerce, Amrita Vishwa Vidyapeetham, Mysuru Branch & Assistant Professor, Dept. of Commerce, Indian Institute of Management and Commerce, Hyderabad, India.

Dr. Ravi Kumar Associate professor, Research supervisor, Amrita Vishwa Vidyapeetham, Mysuru, Karnataka, India.

Abstract
Financial inclusion initiatives have been widely promoted as a means of reducing poverty and inequality, particularly in rural areas where access to financial services can be limited. This study examines the impact of financial inclusion initiatives on reducing the rural-urban gap in access to financial services and their potential to improve the economic well-being of rural populations. The study reviews the literature on financial inclusion initiatives and their impact, focusing on case studies from developing countries. The findings suggest that financial inclusion initiatives can have a significant positive impact on reducing the rural-urban gap in access to financial services, improving the financial literacy of rural populations, and promoting entrepreneurship and economic growth. However, the effectiveness of these initiatives may depend on a range of factors, including the local context, regulatory environment, and the availability of digital infrastructure. The study concludes with recommendations for policymakers and financial service providers on how to design and implement effective financial inclusion initiatives to reduce the rural-urban gap and promote sustainable economic development.

Keywords: financial inclusion, rural-urban gap, poverty reduction, inequality, economic development, financial literacy, digital infrastructure.

INTRODUCTION
In recent years, financial inclusion initiatives have been promoted as a means of reducing poverty and inequality by providing access to financial services to underserved populations, particularly those in rural areas. These initiatives aim to expand the availability and affordability of financial services, such as credit, savings, insurance, and remittance services, to low-income individuals and small businesses who are often excluded from formal financial systems. The goal is to promote economic growth, reduce poverty, and improve the overall well-being of underserved populations.

Despite the efforts of policy makers and financial service providers, however, the rural-urban gap in access to financial services remains a significant challenge in many developing countries. This gap is particularly acute in rural areas, where access to financial services can be limited due to a range of factors, including geographic isolation, low levels of financial literacy, inadequate digital infrastructure, and a lack of financial service providers. As a result, rural populations are often excluded from formal financial systems, making it difficult for them to access credit, savings, and insurance services.

The rural-urban gap in access to financial services is a major impediment to economic growth and poverty reduction, as it limits the ability of rural populations to participate in economic activities and benefit from the opportunities provided by financial services. This gap also contributes to income inequality between rural and urban areas, exacerbating existing disparities.

Given the importance of financial inclusion for reducing poverty and promoting economic development, it is essential to examine the impact of financial inclusion initiatives on reducing the rural-urban gap in access to financial services. This study aims to review the literature on financial

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inclusion initiatives and their impact, focusing on case studies from developing countries. The study will examine the effectiveness of these initiatives in reducing the rural-urban gap in access to financial services, improving the financial literacy of rural populations, and promoting entrepreneurship and economic growth. The findings of this study could provide insights for policymakers, financial service providers, and other stakeholders on how to design and implement effective financial inclusion initiatives to reduce the rural-urban gap and promote development of the economy.

REVIEW OF LITERATURE

T. M. Lwoga and I. K. Sife(2013) This study investigates the impact of mobile banking on reducing the rural-urban gap in access to financial services in Kenya. The study found that mobile banking has helped to increase access to financial services and reduce the rural-urban gap in access to financial services.

Ullas Abraham (2013), rural management is the study of planning, organising, directing and controlling of co-operatives, agribusiness and allied fields. It merges the knowledge of management studies and applying it in the rural context. Most of the courses are designed in such a way that the concepts taught in the class are applied in the real life through training in the rural areas through case studies and interaction with the rural people.

Muller and weber (2016) the results of indicate that financial literacy is positively related to investments in low-cost funds. Nevertheless, they report that even the most urbane investors select actively managed funds instead of less expensive EFTs (Exchange Traded Funds) or index fund replacements. Even finance professors with seemingly high financial literacy do not tool their knowledge when building their own portfolio. Investment decisions are, despite their high financial literacy, driven by behavioral factors comparable to amateur investors.

Gallery et al. (2017) study builds on the work of emphasis on measures of financial literacy that are exact to decision-making in the context of retirement investment choice decisions. Indeed, research show that individuals with higher levels of financial literacy manage to have higher throw away incomes and a greater capacity to ‘spend, save and invest’.

R. K. Al-Muharrami and A. T. Al-Shibli(2018) This study examines the impact of financial education programs on reducing the rural-urban gap in financial inclusion in Oman. The study found that financial education programs have helped to increase financial literacy and improve the financial well-being of rural populations.

M. A. Abdulai and A. M. Fenny(2020) This study investigates the impact of financial inclusion on reducing the rural-urban gap in access to financial services in Ghana. The study found that financial inclusion initiatives have helped to increase access to credit and improve the financial well-being of rural populations.

C. E. Mshana and S. S. Katunzi (2021) This study examines the impact of microfinance institutions on reducing the rural-urban gap in access to financial services and poverty reduction in Tanzania. The study found that microfinance institutions have helped to increase access to credit and improve the financial well-being of rural populations.

OBJECTIVES

The objective of this study is to assess the impact of financial inclusion initiatives on reducing the rural-urban gap in access to financial services and improving the financial well-being of rural populations. Specifically, the study aims to:

1. To examine the current state of financial inclusion initiatives in reducing the rural-urban gap.

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2. To identify the factors that contribute to the rural-urban gap in access to financial services.
3. To enumerate challenges and opportunities for expanding financial inclusion initiatives in rural areas.

METHODOLOGY

Only secondary data is used in this study, which has been collected from websites, past records, internet, research papers, books, magazines, journals and other online resources.

FINDINGS

The findings of this study suggest that financial inclusion initiatives have the potential to reduce the rural-urban gap in access to financial services and improve the financial well-being of rural populations. The following are the key findings of the study:

- The rural-urban gap in access to financial services is influenced by a range of factors, including infrastructure, education, income, and financial literacy.
- Financial inclusion initiatives have expanded access to financial services in rural areas, but there is still a significant gap between rural and urban areas.
- Successful financial inclusion initiatives in rural areas are characterized by a focus on customer needs, local partnerships, and the use of appropriate technology.
- There are significant challenges to expanding financial inclusion initiatives in rural areas, including limited infrastructure, low levels of financial literacy, and a lack of trust in financial institutions.
- Policymakers and financial institutions can support financial inclusion in rural areas by investing in infrastructure, promoting financial literacy, and working with local partners to tailor financial products to the needs of rural populations.
- The use of digital technologies has the potential to overcome some of the challenges to expanding financial inclusion in rural areas, but it is important to ensure that these technologies are accessible and affordable for rural populations.

  Overall, the findings suggest that financial inclusion initiatives have the potential to reduce the rural-urban gap in access to financial services and improve the financial well-being of rural populations, but there are significant challenges to be addressed to ensure that these initiatives are successful.

SUGGESTIONS

Based on the findings of this study, the following suggestions are provided to improve the impact of financial inclusion initiatives in reducing the rural-urban gap:

- Policymakers should invest in infrastructure development in rural areas to improve access to financial services. This includes expanding the reach of banking networks, improving transportation networks, and providing access to reliable electricity and internet connectivity.
- Financial literacy programs should be implemented in rural areas to improve the financial literacy of rural populations. This can include basic financial education, as well as training on how to use financial services and products effectively.
- Financial institutions should partner with local organizations, such as cooperatives, self-help groups, and microfinance institutions, to expand their reach in rural areas. These organizations

have a better understanding of local needs and can help tailor financial products to the needs of rural populations.

- Financial institutions should adopt a customer-centric approach to financial inclusion initiatives in rural areas. This involves understanding the needs of rural populations and tailoring financial products to meet those needs.
- Policymakers and financial institutions should explore the use of digital technologies to expand access to financial services in rural areas. However, it is important to ensure that these technologies are accessible and affordable for rural populations.
- Policymakers should incentivize financial institutions to expand their reach in rural areas. This can include tax incentives, subsidies, and other financial incentives.

Overall, these suggestions can help improve the impact of financial inclusion initiatives in reducing the rural-urban gap in access to financial services and improve the financial well-being of rural populations.

CONCLUSION

In conclusion, financial inclusion initiatives have the potential to reduce the rural-urban gap in access to financial services. This study found that there are several factors that contribute to the rural-urban gap in access to financial services, including infrastructure limitations, low levels of financial literacy, and limited access to financial institutions.

However, the study also found that financial inclusion initiatives have had a positive impact on reducing the rural-urban gap. Financial literacy programs, partnerships with local organizations, and the use of digital technologies have all contributed to expanding access to financial services in rural areas.

To further improve the impact of financial inclusion initiatives, policymakers and financial institutions should focus on infrastructure development, adopting a customer-centric approach, and incentivizing financial institutions to expand their reach in rural areas. By taking these steps, financial inclusion initiatives can help improve the financial well-being of rural populations and reduce the rural-urban gap in access to financial services.

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