

## **The Impact of Financial Inclusion on Economic Growth: Evidence From India**

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### **Abstract**

**Introduction:** This paper discusses how financial inclusion has affected India's economic growth, considering its multi-dimensional aspects: Banking access, Banking Penetration, Use of banking Services, and financial stability. While there have been significant improvements, structural problems like low financial literacy, limited digital infrastructure, and regional imbalances impede broader financial inclusiveness. The objectives are to assess the role played by financial inclusion in fostering Economic development and identify ways the existing challenges can be overcome.

**Methodology:** A quantitative approach was adopted, using time-series data from 2000 to 2023. Key variables of interest, including GDP growth, Access to banking Services, Banking Penetration, Use of banking Services, and financial stability indicators (Bank Z-Score, Non-performing loans) were analyzed using descriptive statistics, Correlation analysis, Regression analysis, and classical assumption testing. The results affirm that financial inclusion significantly influences economic growth by facilitating access to financial services and promoting equitable participation in economic activities in India. However, challenges such as high non-performing loans and inflation persist, underscoring the need for targeted policies.

**Findings:** According to the results, FI has a statistically significant positive impact on economic growth. It has been observed that access and use of banking services are crucial drivers in ensuring equality in economic participation. There is still significant NPL and inflation, which pose an upward risk and necessitate very targeted intervention. It calls for more substantial digital financial inclusion, supported by higher levels of financial literacy, in terms of their reach and significance.

**Conclusion:** It sums up that financial inclusion will play a very important factor in sustaining economic growth in India. It suggests increasing financial literacy among people, the use of digital banking facilities, the increase of Digital Financial infrastructures, and sound regulatory mechanisms for access to financial services by all. Due consideration of regional and demographic disabilities by policymakers and financial institutions is required for interventions appropriate to the context to elicit maximum benefits from financial inclusions.

**Keywords:** Financial Inclusion, Economic Growth, Financial Stability, Banking Penetration, Financial Access