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A behavioural approach to inclusive finance in India: A review

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Abstract
This review article studies the linkage between financial inclusion and behavioural finance as to mitigate behavioural impediments to universal formal financial services' access. The research sheds light on the challenges of scaling financial inclusion and the complexity of financial decisions by focusing on important behavioral factors, such as Social norms, present bias, overconfidence, risk perception, financial literacy, and an assessment of the current solution. Addressing this financial inclusion implementation gap involves a broader and more systemic engagement with cognitive biases by policymakers and practitioners as they design and implement policies. In the long term it will also stimulate economic empowerment and development.

Keywords: Present bias, perception of risk, overconfidence, behavioural finance, financial inclusion, social conventions, financial literacy

Introduction

Global development and poverty reduction increasingly rely on the inclusion of finances or the granting everyone access to financial services and products (Mugo & Kilonzo, 2017 Kara, Zhou, & Zhou, 2021;) [37, 28]. Nevertheless, despite the important progress in the past decades, that have improved the reached with formal financial services, great part of the world population is still not allowed to join the financial system. The poor and marginalized communities struggle to save money, invest in their education, and deal with the waves of unwelcome financial shocks because the burden of this exclusion is not shared equally (Bank, 2020; Mendoza, 2010) [36]. The behavioural finance approach provides valuable insights into comprehending and removing behavioral barriers to financial inclusion in tackling this intricate problem. A subfield of finance referred to behavioural finance combines psychological theories with financial judgement. In addition to the facilities barriers, specific behaviours that influence people's financial behaviour and access to formal financial services also limit everyone's ability to access and use financial services at a reasonable rate.

1.2 Understanding Financial Inclusion

Financial inclusion indicates more than simply giving customers basic financial products and services. It also means giving them the tools required to participate fully in the regulated financial system, no matter exactly what their income level or social class is. As stated by R.B.I's Deputy Governor K.C. Chakrabarty (2012) [13], financial inclusion is the process by which we make sure all members of society, including those who are vulnerable, have access to the right banking services and products at an appropriate price. The C. Rangarajan Committee (2008) [47], A Committee on Financial Inclusion, "refers to financial inclusion as the process of ensuring access to financial services and adequate and on time credit where needed by vulnerable group.

1.3 Financial Inclusion Approach in India

Understanding basic financial ideas, having the ability comprehend important financial products, and being capable to make sound financial choices are all aspects of financial literacy. Individuals' financial well-being may suffer as a result of voluntary financial exclusion, poor financial management brought on by a lack of good financial decision-making, poor retirement and financial planning, poor investment actions, possible mispurchasing financial products, and poor borrowing practices.

1.4 The Two Facets of Financial Inclusion

Financial inclusion and financial literacy serve as two sides of same coin. The demand side, or financial literacy, must be prioritised if financial inclusion is to be achieved. Supply side, of financial inclusion entails offering financial services and markets in accordance with consumer needs and demands. Financial inclusion builds greater emphasis on establishing appropriate products and services as well as increasing the financial market's reach and coverage in order to satisfy the essential financial needs of households with no a bank account. Financial literacy (demand side): By promoting the understanding of individuals of their rights, financial literacy increases demand. It is a group of abilities and information that enables a person to comprehend financial concepts and use that knowledge to make wise financial decisions (Charles, 2012) [14]. Understanding fundamental financial concepts, being able to understand important financial products, and being able to make wise financial decisions are all aspects of financial literacy. Individuals' financial well-being can be negatively impacted as a result of voluntary financial exclusion, poor financial management brought on by a lack of sound financial judgement, poor retirement and financial planning, poor investment choices, the possibility of mispurchasing financial products, and poor borrowing practices.

2. Behavioural factors Affecting financial Inclusion

Financial inclusion, or the universal availability and use of financial services, is impeded by behavioral factors that impact people's financial decision-making and access to formal financial services in addition to structural barriers. Understanding these behavioural factors is essential to creating effective interventions that promote financial inclusion. Numerous behavioral factors that affect financial inclusion are recognised and studied in this section, including present bias, overconfidence, risk perception, and social norms. We also discuss how they affect people's financial behaviour and ability to obtain financial services and products.

2.1 Risk Perception: People's views of risk have a major effect on their financial decisions and willingness to use formal financial services (Hansen, 2012) [24]. According to behavioural finance research, people typically exhibit skewed risk perceptions, overestimating the likelihood of adverse consequences and underestimating the potential benefits of financial services and products. Due to this bias, people may avoid financial products like loans or investments even when they might gain from them, which can lead to risk aversion. As a result, people might miss opportunities to accumulate wealth and gain financial empowerment, which could further contribute to their exclusion from the official financial system (Okatta, Ajayi, & Olawale, 2024b Diacon, 2004, Olawale, Ajayi, Udeh, & Odejide, 2024a) [42, 19, 42].

2.2 Overconfidence: Efforts to foster financial inclusion could be hampered by another common behavioral bias. Overconfident people often make poor financial choices because they think they know more and are better suited than they actually are (Baker & Nofsinger, 2010; Gentile, Luciano, & Soccorso, 2016a, 2016b) [6, 21, 22]. When it comes to financial inclusion, overconfidence can show up as people's unwillingness to participate in financial education programs or seek financial advice because they believe they can handle their personal finances well. People might find it more difficult to obtain information and resources that could enhance their financial well-being if they exaggerate their level of financial literacy and competence.

2.3 Present bias: The tendency of consumers to value short-term gains over long-term gains is a major obstacle to financial inclusion efforts (Korteling, Paradies, & Sassen-van Meer, 2023) [31]. Present bias might discourage individuals with disabilities from using formal financial services that demand long-term commitments, like insurance or retirement savings, which increases their exclusion from the financial mainstream (Mitchell & Utkus, 2004, Okatta, Ajayi, & Olawale, 2024a; Olawale *et al*., 2024a) [35, 41, 42].

2.4 Social norms: How people handle their finances and how simple it is for them to access financial services are both greatly affected by cultural factors (Ojong, 2018) [44]. Different cultural and social standards regarding borrowing, investing, saving, and spending can alter people's perceptions of financial services and products. For instance, borrowing money or needing assistance from financial institutions may be criticised in some cultures, which may lead people to turn to unauthorise or alternative financial services. Individuals' financial decisions can also be affected by social networks and peer pressure, which can change their preferences and selections for financial providers and products (Agarwal *et al*., 2017, Kuchler & Stroebel 2021) [3, 34].

3. Literature Review

The literature has already addressed the significance of reputable financial institutions (Klapper *et al*., 2006; King and Ross, 1993 Beck *et al*, 2000 and 2004;) [63, 64, 65, 66]. According to NABARD (2008) [38], employment, poverty alleviation, and social cohesion are all dependent on impoverished and vulnerable groups having access to financing in order to guarantee overall economic growth. According to Chakrabarty (2011) [16], financial inclusion encourages frugal living, fosters a culture of saving, and defines effective payment methods that support the fundamental assets of financial institutions, all of which help the economy by allowing the efficient distribution and payment of financial resources. In particular in emerging economies, a well-functioning financial system is essential to development, advancement, and other expansionary endeavours (Kumar, 2012) [12]. For the greatest potential benefits, however, well-connected societies with a formal financial system are required, particularly or the impoverished and deprived masses in rural areas. It should make sure that there is less disparity in wealth so that more people benefit from economic growth, which will increase demand and propel the country's overall growth (Dhanjal Kochhar 2009) [32]. Moreover, Subbarao (2010) [59] has maintained that a developed and mature economy requires the financial sector to deepen. But only when people and households are financially literate can they make wise decisions regarding their investments, borrowing, and saving. As stated by Joshi (2011) [26], there's financial repercussions when those at the bottom of the pyramid are excluded. Numerous empirical findings demonstrate that nations with high rates of poverty and inequality are also those where a substantial proportion of the populace is not able to access the formal financial system (Thorat, 2008) [61]. As a result, many central banks in developing nations now prioritise financial inclusion. Political leaders, lawmakers, administrators, members of NPOs (Non Profit Organizations) and other development organizations now frequently employ the term "financial inclusion." Financial inclusion needs to be implemented as soon as possible (Chandra Shekhar, 2009) [15].

3.1 The present state of India's financial inclusion

According to Chakrabarty's (2011) [16] research, approximately 2.5 billion adults globally—slightly more than half of all adults are not using formal services related to financial affairs to borrow or save money. 2.2 billion Of these adults live in the Middle East, Asia, Africa, and Latin America, he continued, and none of them have bank accounts. As a result, it is a worldwide problem rather than an Indian one. According to the RBI (2008), the financial services sector excludes a significant percentage of people, including small businesses and would-be entrepreneurs, which hindered development and economic stability. According to Chandrasekhar (2011) [17], only 59% of Indian adults have a bank account, meaning 41% are unbanked and unable to access basic financial services. Just 9% of people have bank credit accounts, and only 55% of people have deposit accounts (Blakey, 2011) [9]. 72% of Indians live in rural areas, according to data from the 2011 Census 89.35 million (60.4%) of the 147.9 million rural households are farmers, and 45.9 million of those households lack access to institutional or non-institutional credit (Joshi, 2011) [26]. Almost ninety percent of villages lack a bank branch within a 5-kilometer radius, and on average, one bank branch serves four villages nationwide, according to NABARD (2008b) [38]. There are only 17 credit accounts and 54 savings accounts for every 100 people across all institutions; of those, only 13% are using bank loans for incomes under INR 50,000, and 53% are using institutional and non-institutional sources of loans only for emergencies (Chakrabarty, 2009) [15]. India has the biggest percentage of households (nearly 145 million) without access to formal banking services, according to research by Chakrabarty (2011a) [12]. According to RBI (2013d), 12,300 people nationwide have their banking needs met due to an individual bank branch. About 90% of Indians, including those who are denied loans and those who determine not to apply for one, are denied loans from the official financial systems, according to Chakrabarty (2011a) [12]. Only 18% of people have debit cards, he proceeded, and only 2% use credit cards. In terms of insurance, he concluded that less than 20% of Indians have any sort of life insurance, and only with regard to 9.6% have non-life insurance coverage.

4. Research Objectives

1. Examining the Development and Prospects of Financial Inclusion from Behavioural Points of View

Understanding these psychological and cultural dimensions is essential for predicting future trends and designing more inclusive financial systems that encourage sustainable participation.

2. Literature Review on Indian Financial Inclusion Strategies: A comprehensive review of literature reveals that traditional strategies focusing on infrastructure expansion, subsidy delivery mechanisms, and institutional reforms have made notable progress. However, ignoring behavioural factors limits the effectiveness of these strategies. The significance of integrating behavioural economics into frameworks for financial inclusion is being emphasised more and more in academic and policy-focused research. For example, targeted financial education, community involvement, streamlined account processes, and nudging strategies have demonstrated promise in removing behavioural barriers. The literature emphasises that in order to achieve deeper and more inclusive financial outcomes across a variety of Indian population segments, a change from a purely supply-driven approach to a demand-sensitive, behaviour - informed model is required.

5. Research Methodology

The study employed secondary data to fulfil its research objectives. Relevant information was collected from diverse and credible sources, including official government reports, publications of the R.B.I, and scholarly articles available in both print and electronic formats.

6. India's Strategic Actions for Financial Inclusion

Like a number of developing countries, India has made a concerted effort to promote financial inclusion through policy and institutional changes. The apex bank of India (RBI) and the Indian government have gone through a number of initiatives to increase the unbanked and economically marginalized groups' access to financial services. Significant milestones include the founding of the SBI in 1955, the nationalization of banks in 1969 and 1980, the Lead Bank Scheme in (1969), the establishment of RRBs in 1976, the Service Area Approach in (1988), the Self Help Groups-Bank Linkage Program in (1992) and the emergence of Microfinance Institutions (MFIs). Banks have also been guided to promote inclusive growth by priority sector lending targets. In the words of Kothandaraman (2012) [33], there are three phases in India's financial inclusion journey, each of which passes changing tactics to improve outreach and deal with structural financial exclusion.

6.1 The Regulatory Initiatives established by the RBI

Since financial exclusion was first brought to the public's awareness and shown to be strongly linked with poverty in the early 2000s, financial inclusion has grown in importance in India (Saravanakumar, 2010) [57]. In its 2004-05 annual policy statement, the RBI defined that banks should be capable to accurately provide banking services to all segments of the population (Reddy, 2005) [56]. This policy marked on banks to examine their present procedures in order in order to more closely match with the goal of financial inclusion with the vast majority of people who aren't eligible for basic banking services. The RBI recommended in November 2005 that banks present "no glitzy accounts," or basic banking accounts with "null" or extremely low minimum balances and fees, so that a wide range individual could access them.

However, a transaction will not assist in financial inclusion unless it occurs in a "no-frills" account. In both rural and urban areas, Know Your Customer (KYC) regulations were liberalised, allowing for the issuance of General Credit Cards (GCC).RBI allowed banks to use MFIs, Civil Societies and Non-Governmental Organizations/Self Help Groups With the objective of ensuring greater financial inclusion and extending the reach of banking services in of the nation, (NGOs/SHGs) were assigned as intermediaries and Business Facilitators (BFs) or Business Correspondents (BCs) for banking and financial services in January 2006 (RBI, 2006).The BCs were designated as the banks' agents to carry out banking operations outside of the bank's physical location and to perform "cash in-cash out" transactions. In addition to the numerous MFIs, NGOs, NBFCs, and BCs that are currently in operation, the RBI working group has suggested additional organisations for the appointment of BCs in rural and semi-urban areas. Some of these groups include individual the owners of medical, fair price, and grocery shops; individual operators of a public phone booths; delegates of insurance companies and the Indian government's small savings plans; proprietors of petrol pumps; and retired educators (RBI, 2009b). “Inter-Agency Banking Coordination Body” have been set up to investigate monthly banking developments in each state. In order to launch a pilot program for 100% financial inclusion, it was then recommended that Inter- Agency Banking Coordination Body in each state choose at least one district. Consequently, 431 of the nation's 623 districts have been tasked with financial inclusion (Chandrasekhar, 2011) [17]. Since that time, multiple regions have been declared fully financially included by the "Inter-Agency Banking Coordination Body." But according to RBI (2009a), which was the outcome of an independent agency's external evaluation that investigated 26 districts, not all of the districts in the states of Andhra Pradesh, the state of Gujarat, Himachal Pradesh, Karnataka, Orissa, Punjab, Rajasthan, and West Bengal had reached that level of true financial inclusion. Additionally, it was found that most of the basic accounts created as part of the financial inclusion initiative hadn't been utilised for several of reasons. RBI (2009a) recommended banks to offer banking services closer to the location of "no-frills" account holders through a variety of channels, such as satellite offices, mobile officers, BCs, etc., in order to strengthen the financial inclusion drive. In addition, the RBI recommended that banks offer "zero balance accounts" and small overdrafts or GCCs to entice customers to use their accounts regularly and actively. The use of effective technology, that includes smart cards with biometric access involving handheld devices and/or mobile phones, was also embraced, and the "no-frills" account facilities were described. In addition to the present Financial Literacy and Credit Counselling (FLCC) institutions, the RBI instructed banks to establish at least one Financial Literacy Centre (FLC) in each of the country's 640+ districts by the end of June 2012 in order to promote financial literacy among people of all ages (Subbarao, 2013) [60].

6.2 Committee for Financial Inclusion

The Dr. C. Rangarajan Committee, additionally known as "A Committee on Financial Inclusion," was created by the government in 2006 with the intention of making strategic recommendations and general policy changes in order to increase the degree of financial inclusion in the nation. In response to the committee's recommendation, the National Bank for Agriculture and Rural Development developed the Financial Inclusion Fund (FIF) and Financial Inclusion Technology Fund (FITF) (Rangarajan, 2008) [47]. The funds could be utilized to cover the expense of technology development, adoption, and promotion, respectively. Each fund will receive an initial funding of INR 500 crore, of which the RBI, NABARD, and the Indian government will contribute INR 250 crore. In response to the Rangarajan Committee's (2008) [47] overall financial inclusion strategy, the country's formal credit delivery system needs to be significantly improved. It also highlighted the need for a sophisticated model for expanding outreach and utilising technology to encourage prevalent financial inclusion, while also offering strategies to enhance the ability of marginal farmers and low-income households to secure loans. The committee is additionally working towards the execution of a "National Rural Financial Inclusion Plan" (NRFIP), which aims to provide credit and other comprehensive financial services to at least 50% of financially excluded households by 2012 and the remaining households by 2015.

7. Financial Inclusion in India- Efforts and Achievements

7.1 Supply Side Achievements

India's banking system is becoming more robust, effective, and resilient. Technology has received a lot of credit for these accomplishments. A great deal of banks and branches are shifting to network-based computing, Core Banking System (CBS), and new delivery channels like networked ATMs, internet banking, smart card-based products, mobile access, etc. Bank operations are now centralised. Customer relationship management, credit profiling, risk management, and customer transaction pattern analysis are further uses of modern technologies. The country's financial inclusion depends extensively on information technology. Banks have been an integral component in India's consistent progress towards financial inclusion. Banks have so far covered 74,199 (99.7%) of the 74,414 unbaked villages as part of the plan to cover all villages with a population of 2000 or more by March 2012 (RBI, 2012a). Currently, the emphasis is on banking in villages with fewer than 2000 residents, and it is anticipated that all of the work will be completed within the next three years, by March 2015. Approximately 81,514 ATMs and 1,14,992 bank branches (including SCBs, RRBs, and cooperatives) offer banking services all over India (RBI, 2013c; RBI, 2012b). In addition, the entire country has 96,149 cooperative credit institutions (RBI, 2012c). Banks are now providing banking services in rural areas, with access to banking facilities in 2,68,454 out of 6,00,000 villages through bank branches, BCs, and other service delivery methods, according to FIP progress from March 2010 to April 2013 (Joshi, 2013) [27]. In comparison, there were only 67,694 villages in March 2010 (RBI, 2013a). Basic savings bank accounts increased by 73.45 million to 182.06 million between March 2010 and March 2013. Additionally, the translations of the Kisan credit card, General credit card, and ICT-BC accounts have significantly improved. In accordance with RBI (2013a), banks have provided small entrepreneurial credit to 33.8 million households and brought about 9.48 million farm sector households into the banking system under the FIP. 3.6 million Households generated bank small business loans, and nearly 2.24 million households were added to the nonfarm sector.

7.2 Achievements on the Demand Side

To increase the financial literacy of the target audience, 718 FLCs have been set up, and 2.2 million people have received education through outdoor events like seminars, lectures, goshthis, awareness camps, and choupals, as well as indoor education for walk-ins (RBI, 2013a). FLCs have been providing outdoor financial literacy camps at least once a month. Likewise, at least one financial literacy camp must be held each month in each of these more than 35,000 rural branches. In 20 states, the banks have already set up 218 FLCCs, each one of which serves roughly 1000 people (Joshi, 2011) [26]. RBI has produced a Financial Diary, a Financial Literacy Guide, and a set of eighteen posters to assist the target audience. To increase public awareness and educate people about financial services and products, the National Strategy for Financial Education (NSFE) was developed under the guidance of the technical group of the Financial Stability and Development Council (FSDC) (RBI, 2013a). With the aim of reaching 500 million adults and educating them about crucial investment, savings, and protection products so they can make informed financial decisions, the NSFE will be implemented over a five-year period. To co-ordinate the efforts of all financial sector regulators, a National Centre for Financial Education is proposed under the NSFE by RBI.

According to Subbarao (2013) [60], hundreds of millions of people, many of whom are illiterate, use smart cards with biometric identification to make bank transactions. Mobile handheld electronic devices are used for banking by tens of millions of people. For the purpose of increasing their revenue, 10 million SHGs nationwide have bank credit linked to them. Villages now request bank branches because they view them as essential facilities, much like they do for schools and health facilities. SHGs were voluntarily formed by women. Women make up over half of participants in outreach programs run by banks and the RBI.

A number of states have already adopted the (EBT) Electronic Benefit Transfer and the entire nation will soon follow suit. In 50 districts, direct cash transfers have already been introduced, and they will soon be expanded throughout India. (DBT) Direct Benefit Transfer which is enabled by AADHAR, will make it easier for beneficiaries to receive benefits directly into their bank accounts with prompt delivery and minimal leakage.

Despite all of these efforts and advancements, policymakers and service providers still face a formidable and difficult task in achieving the nation's meaningful goal of financial inclusion.

7.3 Efforts of Government of India towards Financial Inclusion: Financial inclusion remains a top priority for the Indian government and RBI over the past ten years. Many efforts have been made in this its course. The RBI has persisted in its policy of expanding sufficient credit to the economy's productive sectors throughout 2019. In addition to it, the central bank has worked to expand formal banking's reach into previously unbanked areas. This information paints a very positive picture of India's financial inclusion. Here is a list of the most critical financial inclusion initiatives in the past few years.

In August 2014, the National Mission for Financial Inclusion (NMFI) was launched by the government under the name Pradhan Mantri Jan-Dhan Yojana (PMJDY). The goal was to give all unbaked households access to universal banking services. The tenets of funding the unfunded, securing the unsecured, banking the unbanked, and serving underserved and unserved areas served as its foundation. In August 2014, the Indian government launched the Pradhan Mantri Jan Dhan Yojana (PMJDY) with this factor in mind. Opening accounts for "Every household" was the previous motto. The emphasis now is on "Every Unbanked Adult" opening an account. By connecting the Jan Dhan Account to both Aadhaar and a mobile device (Jan Dhan- Aadhaar Mobile), a digital pipeline has been established for the implementation of PMJDY.PMJDY mapped more than 6 lakh villages into 1.6 lakh Sub Service Areas (SSAs) with the goal of establishing banking service points across rural India. Usually, each SSA had between 1,000 and 1,500 households. The remaining 30,000 SSAs are served by bank branches, while the remaining 1.3 lakh SSAs are served by interoperable online BCs. Rural BCs also offer interoperable banking services through the Aadhaar Enabled Payment System (AePS).

7.3.1 National Strategy for Financial Inclusion

Under the recommendations of the Financial Inclusion Advisory Committee (FIAC), the RBI has created the National Strategy for Financial Inclusion (NSFI) 2019-24 to facilitate the availability of a range of financial services to Indian citizens. The main objective is to provide safe and transparent access to financial services for those that are financially excluded.

7.3.2 Establishment of the National Centre for Financial Education (NCFE): Under the recommendations of the Financial Inclusion Advisory Committee (FIAC), the RBI has created the National Strategy for Financial Inclusion (NSFI) 2019-24 to facilitate the availability of a range of financial services to Indian citizens. The main objective is to provide safe and transparent access to financial services for those that are financially excluded.

7.3.3 Kisan Credit Card (KCC)

Under the recommendations of the Financial Inclusion Advisory Committee (FIAC), the RBI has created the National Strategy for Financial Inclusion (NSFI) 2019-24 to facilitate the availability of a range of financial services to Indian citizens. The main objective is to provide safe and transparent access to financial services for those that are financially excluded.

8. Policy Implications Derived from Behavioural finance

Understanding the complex nature of financial decision-making and the challenges of extending financial inclusion necessitate policies and interventions that recognize and take into account people's cognitive biases, preferences, and decision-making heuristics, according to behavioral finance research. Policymakers are advised to use a behavioural lens and avoid making assumptions about perfect rationality when attempting to comprehend and address the behavioural factors that affect people's financial behaviours. One of the primary policy implications of behavioural finance is the simplification of decision-making processes. Because people's cognitive capacities are limited, policymakers are urged to develop financial products and services that are clear, transparent, and easy to understand. By decreasing complexity and cognitive load, policymakers can alleviate decision paralysis and promote optimised financial decision-making.

Additionally, behavioural insights indicate that nudges might be used to influence people's behaviour in a positive way. The behavioural environment can be subtly altered by policymakers using nudges to promote investment, saving, and other financially beneficial behaviours. Examples that maintain people's freedom of choice while pushing positive behaviours' are opt-out organ donation programs and default enrolment in retirement savings plans. In addition, timely, customized feedback emerges as a potent tool for influencing people's financial behaviour. Behavioral research shows how effective such feedback is at adjusting behaviour, allowing policymakers to use technology to give tailored financial advice and feedback. This individualized approach helps humanity monitor their financial progress and make adjustments that suit their objectives and preferences.

Lastly, it is unattainable to undervalue the role that peer pressure and social norms play in determining financial behaviour. These forces can be used by policymakers to encourage communities to embrace sound financial practices and attitudes. Policymakers increase a culture of financial inclusion and empowerment by utilising peer pressure and social norms, which makes it easier for more people to participate in formal financial systems. Based on behavioural finance principles, these policy implications provide doable tactics to improve financial inclusion and give people the tools they need to succeed.

8.1 Existing Interventions and Initiatives

Utilising behavioural insights to customize interventions to individual cognitive biases and decision-making processes, a number of initiatives and interventions have been put into place to address behavioral barriers to financial inclusion and advance more inclusive financial systems. Programs for financial literacy and education are one example of an intervention which seeks to improve people's financial literacy and knowledge so they can make wise financial decisions. These programs successfully address cognitive biases and misconceptions about financial matters through including behavioural insights into the design and delivery of the curriculum (Hung, Yoong, & Brown, 2012; Olawale, Ajayi, Udeh, & Odejide, 2024b; Williams, 2007 Cohen & Nelson, 2011 Amagir, Groot, Maassen van den Brink, & Wilschut, 2018;) [25, 42, 62, 11, 4]. A further helpful approach is the use of digital financial services, such as mobile banking and digital payments. Particularly for underserved populations, these services might broaden access to official financial services. By using technology and behavioural insights to get around barriers like lack of documentation, distance, and time constraints, financial services can become more convenient and accessible for people (Pazarbasioglu *et al*., 2020, Dara, 2018) [45, 18]. In addition, commitment and savings tools, such as commitment contracts or withdrawal-restricted savings accounts, help people overcome present bias and encourage long-term saving practices. These products encourage asset accumulation and financial resilience by automating savings contributions and providing incentives for reaching savings goals. By applying the discussed policy implications and current interventions, we promote procedures that improve financial inclusion outcomes. Policymakers should first work alongside financial institutions to develop products and services that take behavioral insights into account and match up with people's cognitive biases and preferences. Personalized advisory platforms, simplified savings plans, and goal-oriented financial planning tools are a few examples of these services. Second, utilising behavioral nudges in a range of settings can promote sound financial practices such as paying off debt, saving for emergencies, and funding education. These nudges, which are distributed through digital platforms, public campaigns, or workplace initiatives, make use of social norms and peer pressure to boost their efficacy. Last but not least, creating public-private partnerships is essential for inclusive innovation. Encouraging private sector actors to develop and scale innovative solutions that tackle behavioural barriers to financial inclusion implies policymakers to leverage the resources and expertise of both sectors to expand access to formal financial services. These collaborative efforts have the potential to advance financial inclusion and prosperity globally.

9. Framework Development

We offer a conceptual framework that combines the ideas of behavioural finance and financial inclusion in order to effectively advance inclusive finance while addressing the behavioural obstructions that stand in the way of financial inclusion. In order to promote greater financial inclusion outcomes, this framework attempts to serve as a guide for development practitioners, financial institutions, and policymakers as they create targeted measures and strategies. The three main parts of the framework are the Behavioural factors, Methods of intervention and Intended outcomes.

9.1 Behavioural Factors

People's financial decisions and access to official financial services are greatly influenced by behavioural factors. People's subjective evaluation of risk affects their decision-making process, which in turn affects their willingness to use financial services. Designing interventions that minimise perceived risks and advance financial inclusion calls for taking into account people's perceptions of risk. Another important behavioural factor that causes people to overestimate their ability with financial matters and underestimate risks is overconfidence. People's financial well-being can be improved by targeted interventions that address overconfidence and assist them in making better financial decisions.

Financial inclusion initiatives are hampered by present bias, which is the propensity to place more importance on short-term gains than long-term advantages. Present-biased people may have trouble saving and investing, which can result in financial exclusion. Fostering financial inclusion and motivating people to use formal financial services require interventions that reduce present bias and encourage future-focused decision-making.

Peer pressure and social conventions also have a big impact on how people behave financially. Peer pressure and cultural norms have an impact on people's attitudes and behaviours regarding money, which affects their financial decisions and ability to access financial services. Greater financial inclusion and empowerment can be facilitated by recognising and utilising social norms to encourage sound financial practices in local communities.

9.2 Intervention Strategies

Intervention techniques are essential for removing behavioural barriers that prevent people from accessing formal financial services in order to improve financial inclusion. It is crucial to simplify financial products by creating clear, uncomplicated products that reduce cognitive barriers and promote greater financial inclusion. Using behavioural nudges, like reminders or defaults, can help people overcome decision inertia and promote positive financial behaviours. Another crucial tactic is individualized financial education, which is designed to meet each person's particular requirements and preferences while enhancing financial literacy and enabling people to make wiser financial decisions. Furthermore, by using technology for offering easily accessible and user-friendly digital financial services, digital financial solutions present encouraging opportunities to increase access to formal financial services, particularly for marginalized groups. By creating a more inclusive financial system, these intervention techniques ultimately contribute to sustainable development and economic empowerment.

9.3 Desired Outcomes

Three key objectives are envisioned by the framework in order to promote financial inclusion and give people more authority within the established financial system. In order to remove obstacles to entry and increase financial opportunities for people from all walks of life, it aims to strengthen access to formal financial services, which include a wide range of options such as savings, credit, insurance, and payment solutions. By addressing the behavioural barriers that frequently obstruct wise financial decision-making, it seeks to promote enhanced financial well-being. Through focused interventions, the framework encourages sound financial practices, improving people's capacity to handle their money wisely and deal with economic hardships more resiliently.

Additionally, the framework strengthens communities' and individuals' economic empowerment. Giving people the skills and information they need to actively engage in the formal financial system gives them the ability to take charge of their financial futures and seize opportunities for economic growth and prosperity. The framework's main objective is to support sustainable development and financial inclusion, which will empower people both individually and collectively. By achieving these goals, the framework hopes to establish a more equitable and inclusive financial environment where everyone can prosper.

10. Future Studies and Real-World Uses

The proposed structure offers a comprehensive strategy for tackling behavioural obstacles to financial inclusion, supplying direction for practitioners and policymakers in creating and carrying out focused interventions. By exploring the efficacy of particular intervention strategies and identifying novel approaches to advancing inclusive finance, future research can further improve the framework. The framework's practical applications can help ensure that financial inclusion programs are adapted to people's cognitive biases and preferences during the design and implementation stages. The framework can support more successful and long-lasting initiatives to advance inclusive finance and provide people the tools they need to attain greater financial well-being by incorporating behavioural finance principles into policy and practice.

11. Conclusion: The urgent need for financial inclusion demands a multifaceted approach that addresses behavioural barriers and promotes sustainable growth. While financial exclusion denies essential products to the needy, financial inclusion must ensure that all individuals have access to appropriate services. To achieve this, we must identify and address the gaps in our current offerings, focusing on underserved populations and product deficiencies. This requires collaboration among policymakers, regulators, service providers, public administrators, technology experts, media, and the public. We can create focused interventions to encourage sound financial practices by incorporating behavioural finance principles, comprehending risk perception, overconfidence, present bias, and social norms. This involves cultivating responsible decision-making skills, increasing financial literacy, and using technology to increase access to official financial services. We can empower people and communities by tackling these sorts of problems, which will promote sustainable development and economic growth for everybody.

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