BANKS AND FINANCIAL INCLUSION

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ABSTRACT:

Financial inclusion has become a key driver of inclusive economic growth in India. Although the country has achieved near-universal bank account ownership and eliminated the gender gap in access, meaningful financial inclusion still remains to be achieved. A significant proportion of bank accounts remain inactive, indicating that access alone does not ensure financial resilience or financial well-being. This paper examines financial inclusion through Rittel and Webber's concept of wicked problems. It argues that financial inclusion is shaped by interconnected economic, institutional, behavioural, and other social factors. The study suggests the Antecedents–Consequents–Mediators–Moderators (ACCM) framework to analyse the determinants and outcomes of financial inclusion.

Key Words:

Financial Inclusion, Wicked Problems, Financial Well-being, Financial Resilience,

ACCM Frame-work, Sustainable Development Goals (SDGs)

1. Introduction

The banking system in our country has been faulted both for action and inaction on financial inclusion. To expand the economic pie banks look like extractive institutions. The banks are considered to have a magic stick that can maximise their profits and alleviate global poverty simultaneously. But the reality is more nuanced. Progress in financial inclusion is rarely linear; two steps forward and two steps backward, but even that can mean a lot of progress over time.

Over more than a decade now, India has progressed a lot in the banking system-led financial inclusion . From a mere 35% bank account ownership among people aged 15, the country has achieved near universal access to bank accounts. More significantly, it has entirely eliminated the gender gap on this front.

2. The Wicked Problems

However, there are a lot of challenges that lie under the hood that place financial inclusion in the category of what are called as 'wicked problems'.

Rittel and Webber connected their notion of "wicked problems" to three fundamental planning dilemmas. Many approaches within public administration theory have explicitly addressed wicked problems yet hardly paid attention to the dilemmas. We revisit the planning dilemmas to findout their potential relevance for current administration theory and practice.

We argue that the dilemmas evolve out of the current institutional setup, meaning that wicked problems cannot be resolved by better administrative frameworks or methods. Rather societal matters are to be included in decision-making, for instance, by seeing societal opposition as opportunities to learn to deal with the planning dilemmas.

In their paper, Rittel and Webber argue that the societal problems of their days were problems that could be called “wicked,” in the sense that these problems were ill-defined and could never be solved. Rather, they could only be “re-solved,” because of the irreducible complexity and the normativity that is intrinsic to the formulation and the resolution of such problems (cf. Farrell & Hooker, 2013). Decision-makers may seek to cope with wicked problems, but as Rittel and Webber stress in the final paragraph of their paper, they can never overcome three fundamental planning dilemmas. First, there is no way to come to consensus about what is the societal good. Second, the wickedness of problems is an intrinsic quality; it cannot be taken away by developing better-suited approaches of planning. Third is the rising emancipatory demand for equality conflict with the presence of societal pluralism (Rittel & Webber,1973, p. 169).

3. Characteristics

As described by Rittel and Webber, wicked problems have 10 important characteristics discussed in the following table.

10 Global Wicked Problems			
S.No	**Wicked Problem**	**Core Systemic Complexity**	**Primary Interdependent Factors**
1	**Global Climate Change**	Requires immediate global systemic changes while confronting immediate economic, industrial, and local political costs.	Energy grids, economic growth, consumer habits, and geopolitical cooperation.
2	**Poverty & Income Inequality**	Eradication requires structural overhauls in employment, tax systems, and education, which face fierce ideological resistance.	Labor markets, generational wealth, systemic discrimination, and geographic access.
3	**Healthcare Access & Quality**	Balancing universal access, high-quality innovation, and affordable funding creates a permanent trilemma for governments.	Insurance models, medical supply chains, aging populations, and pharmaceutical patents.
4	**Water Scarcity**	Water usage is deeply local, but its major drivers—such as climate shifts and global agricultural demand—are global.	Changing weather patterns, corporate farming, manufacturing, and international river rights.
5	**Food Insecurity & Hunger**	The planet produces enough food, but geopolitical supply chains, local conflicts, and economic poverty prevent equitable distribution.	Climate disruption, global trade logistics, food waste, and local purchasing power.
6	**Homelessness**	It is not just a housing shortage; it is a complex overlap of economic deficits, social safety failures, and healthcare gaps.	Real estate pricing, mental health infrastructure, substance rehabilitation, and zoning laws.
7	**Cybersecurity & Digital Warfare**	The borderless and rapidly evolving nature of digital networks makes centralized, permanent defensive regulation impossible.	AI advancements, state-sponsored hacking, personal privacy rights, and corporate tech monopolies.
8	**Pandemics & Biological Risks**	Effective prevention requires absolute global cooperation, but response efforts frequently stall due to geopolitical fragmentation.	Zoonotic spillover rates, vaccine nationalism, misinformation, and global travel infrastructure.

9	**Education System Design**	Preparing diverse student bodies for rapidly changing, unpredictable labor markets leaves standard curricula permanently outdated.	Digital divides, local funding disparities, shifting job demands, and cultural expectations.
10	**International Drug Trafficking**	Combating supply through law enforcement often spikes criminal profitability and violence, while demand remains unaddressed.	Substance addiction psychology, transnational cartels, banking regulation, and border economics.

4.Government Policies & Financial Inclusion

The discussion is on the whether the Government expansion policies truly translated into meaningful financial empowerment for India's most vulnerable populations, which is argued as a wicked problem.

What is being tested here is the financial resilience, financial health and financial well-being. The supply-side narrative has not been able to articulate this aspect. The Reserve Bank of India’s (RBI’s) Financial Inclusion Index is a very basic tool , that measures the extent of financial inclusion across the country on a scale from 0 (complete exclusion) to 100 (full inclusion). But the tool misses the mark by a huge margin when it comes to these three alternative measures of success of financial inclusion.

There are many troubling paradoxes that emerge from the available sources. While 89% of adults today have bank accounts, 16% of these remain inactive—evidence that access alone does not ensure genuine financial inclusion (Klapper et al. 2025). But again, this is a significant leap forward from 2021, when 35% of accounts were inactive, as reported by the Global Findex Survey of 2021. Rittel and Webber introduced the term ‘wicked problems’ to draw attention to the complex and challenging planning and social policy problems. Unlike the ‘tame’ problems of mathematics and chess, the ‘wicked problems’ of planning lack clarity in both their aims and solutions. they are subject to real-world constraints that prevent multiple and risk-free attempts at solving.

The banking sector’s performance on the financial inclusion front is evaluated using a four-part framework that includes-

A. drivers of financial inclusion (antecedents),
B. outcomes (consequents),
C. mechanisms through which drivers translate to outcomes (mediators), and
D. when and for whom the drivers to outcomes relationships hold (moderators).

Antecedents-Consequents-Mediators-Moderators (ACCM) framework model needs to be analysed and assessed.

5. The Relative Importance Of Banks

The banking sector has always played an important role in the Indian economy.
It has been a single most important tool for saving by households. Banks have had a chunk of over 50% in annual saving in financial assets by households. However the banks’ share dipped to 34% in financial year (FY) 2023 but significantly increased to more than 40% in FY 2024 as per the National Accounts Statistics released in 2025.Households save 50% or more in the form of physical assets. Government of India owns Banks with the largest physical network and the highest market share of deposits and credit.
Banks size and network, nationalised bank-subjected to state-directed lending for decades.

6. United Nation’s Sustainable Development Goals

Financial inclusion is an in important parameter in United Nation's Sustainable Development Goals. Financial inclusion-development lever-underscored by its designation as an enabler for 7 out of the 17 United Nation's Sustainable Development Goals (SDG)—no poverty (SDG 1), zero hunger (SDG 2), good health and well-being (SDG 3), gender equality (SDG 5), decent work and economic growth (SDG 8), industry, innovation and infrastructure (SDG 9), and reduced inequalities (SDG 10).

Conclusion:

India has achieved near-universal bank account access, effectively closing the gender gap, yet financial inclusion remains a "wicked problem" as a significant number of accounts remain inactive. Further progress in future would require moving beyond supply-side metrics to assess financial resilience, health, and well-being, utilizing an Antecedents-Consequents-Mediators-Moderators (ACCM) framework.

References:

1 All data in this section is sourced from Bharat Microfinance Reports of different years.

2 Data from, different issues of Bharat Microfinance Report, Microfinance Institutions Network (MFIN) Micrometer.

3 Base data from the Reserve Bank of India (RBI) and Bharat Microfinance Report 2025; calculations by the author.

4 Bank Credit Data from RBI bulletins of different years, MF outstanding from benchmark regulation (BMR) 2025.

5 Data from different issues of Sa-Dhan Bharat Microfinance Report – the latest being 2025.

6 Source of data – Sa-Dhan Bharat Microfinance Report 2025 – October 2025

7 Data from Sa-Dhan reports of several years, the latest report is that of 2025.

8 Excerpted from Microlend – Quarterly publication – Centre for Research in International Finance (CRIF) Highmark March 2025.