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INCREASING FINANCIAL INCLUSION THROUGH ISLAMIC BANKING IN INDIA

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ABSTRACT

Financial inclusion has been recently gaining popularity and interest by economists as it has been widely accepted that financial inclusion is critical for poverty reduction. Financial inclusion results in increased savings and entrepreneurial innovations, improved education and empowerment of women. Financial inclusion is critical to reduce income inequality and thus results in accelerated economic growth. Studies have revealed that sometimes financial services are available but still people do not use it. The reasons vary from high costs of usage of services to difficult paperwork to other legal hurdles or barrier like religion which prohibits usage of certain types of financial services. Fortunately, there is a growing recognition globally that the governments and/ or central regulators should make policies to reduce different types of barriers and increase financial inclusion in their countries. India is home to 21% of the world's unbanked population. In India, more than 50% of the financially excluded are the Muslims. The foremost priority of Islam and its teachings on economics is justice and equity. This paper focuses on the possibility of increasing financial inclusion through Islamic Banking.

KEYWORDS: Economic Growth, Financial Exclusion, Financial Inclusion, India, Islamic Banking

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