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Research Article

Financial Inclusion in Uttar Pradesh: Access, Usage and Livelihood Transformation through Microfinance

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Abstract: Financial inclusion has become an important instrument for promoting inclusive growth, reducing financial vulnerability and improving livelihood opportunities among economically weaker sections of society. Uttar Pradesh, with its large rural population and considerable socioeconomic diversity, provides an important context for examining the effectiveness of financial inclusion initiatives. This paper examines financial inclusion in Uttar Pradesh with particular emphasis on access to formal financial services, financial usage, microfinance and livelihood outcomes. The study uses secondary data from the Reserve Bank of India (RBI), World Bank and published studies on microfinance, with particular reference to Cashpor Micro Credit. The paper argues that financial inclusion should not be assessed only through ownership of a bank account; actual usage, access to credit, financial capability and productive utilisation of financial services are equally important. The Cashpor case illustrates how group-based microfinance has been used to extend credit to low-income rural women in Uttar Pradesh. Evidence from published research shows that Cashpor's model has combined microcredit with doorstep/mobile-enabled financial services and group-based lending. The paper concludes that financial inclusion can contribute to livelihood transformation when access to finance is accompanied by financial literacy, productive investment opportunities, appropriate credit and mechanisms that support financial resilience.

Keywords: Financial Inclusion, Uttar Pradesh, Microfinance, Cashpor Micro Credit, Financial Literacy, Livelihood, Women Empowerment, Digital Finance

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INTRODUCTION

Financial inclusion refers to the availability and effective use of appropriate financial services by individuals and households at affordable costs. These services include savings, credit, insurance, pensions, remittances and digital payments. Financial inclusion is therefore broader than simply opening a bank account. It involves the ability of individuals to access, understand and use financial services for managing everyday financial requirements, dealing with emergencies and undertaking productive economic activities.

India has witnessed substantial expansion of financial access during the last decade. Government programmes such as the Pradhan Mantri Jan-Dhan Yojana (PMJDY), together with Aadhaar-enabled services, mobile banking, digital payments and Business Correspondent networks, have expanded the formal financial system to previously underserved populations. The RBI's Financial Inclusion Index increased to 64.2 in March 2024 from 60.1 in March 2023, with improvement across its access, usage and quality dimensions.

The Global Findex also demonstrates the importance of distinguishing account ownership from financial behaviour. India's 2021 Global Findex microdata contained a nationally representative survey of 3,000 adults and collected information on account ownership, saving, borrowing, digital payments and financial resilience.

Uttar Pradesh is particularly significant for financial inclusion research because of its large population, rural economy and wide differences in socioeconomic conditions across districts. For many low-income households, formal financial services can provide opportunities to save securely, obtain productive credit and reduce dependence on informal lenders.

Microfinance institutions (MFIs) occupy an important position in this process. They can reach households that may face difficulties accessing conventional bank credit because of limited collateral, irregular income or geographical barriers. Cashpor Micro Credit provides a particularly relevant case for studying this process in Uttar Pradesh because of its focus on low-income rural women and group-based microfinance.

The central proposition of this paper is therefore:

Financial inclusion should be assessed not merely by financial access, but by the extent to which access is converted into meaningful usage, productive investment and improved livelihood resilience.

Literature Review and Research Gap

The literature on financial inclusion identifies access to formal financial services as an important component of inclusive economic development. The Global Findex defines financial inclusion through indicators covering account ownership, payments, savings, borrowing and financial resilience. Its 2021 edition also highlights differences in access and usage among women, poorer households and less educated populations.

Demirgüç-Kunt *et al.* [1] argue that receiving payments directly into an account can encourage subsequent use of accounts for saving, borrowing and cash management. Thus, an account becomes more meaningful when it is actively used for financial transactions [2-4].

In India, financial inclusion has increasingly been linked with government transfers, digital payments, formal savings and credit. The World Bank's India data show that financial institutions are an important source of formal financial participation, while the Global Findex dataset also captures mobile and digital financial behaviour.

Microfinance represents another dimension of financial inclusion. It attempts to provide relatively small loans to households that may not have easy access to conventional institutional credit. Group lending can reduce some information and collateral constraints, although the effectiveness of microfinance depends upon loan utilisation, repayment requirements, market opportunities and household circumstances.

Research specifically concerning Cashpor provides useful evidence from Uttar Pradesh. Dwivedi, Dwivedi and Dwivedi examined Cashpor's microcredit operations in eastern Uttar Pradesh and reported its extensive outreach among poor women. Their study used secondary data to examine the institution's financial and operational performance [5].

More recent research on financial inclusion in Uttar Pradesh provides detailed evidence concerning Cashpor's lending structure. A 2023 survey discussed Cashpor as an NBFC-MFI operating in Mahatwar and reported group-based lending to women, with loans issued in women's names and weekly repayment arrangements.

Research Gap

Three important gaps emerge from the literature:

- Financial inclusion is frequently measured through account ownership and access, while actual usage receives comparatively less attention
- State-level indicators may not fully explain what financial inclusion means at the household and livelihood level
- There is scope for connecting formal financial access with productive credit, women's economic participation and livelihood resilience through micro-level case evidence

This paper addresses these gaps by combining the broader financial inclusion perspective with a focused case of Cashpor Micro Credit in Uttar Pradesh.

Objectives and Methodology

Objectives: The study has the following objectives:

- To examine the concept and status of financial inclusion in Uttar Pradesh

- To analyse the importance of access and usage of formal financial services
- To examine the role of microfinance in extending financial services to low-income households
- To study the Cashpor Micro Credit model as a case of financial inclusion in Uttar Pradesh
- To examine the potential relationship between microfinance and livelihood transformation
- To identify major challenges and suggest policy measures for strengthening financial inclusion

MATERIALS AND METHODS

The study adopts a descriptive and analytical research design and is primarily based on secondary data.

Sources of Data

Data and evidence have been drawn from:

- Reserve Bank of India reports
- World Bank Global Findex
- Government publications
- Published research on financial inclusion
- Research on Cashpor Micro Credit
- Reports and documents concerning microfinance and financial inclusion

The RBI's Financial Inclusion Index is particularly relevant because it incorporates three dimensions: access, usage and quality.

The Cashpor case is analysed as a secondary-data case study rather than as a primary household survey. Therefore, individual-level changes in income or livelihood are not claimed unless supported by documented evidence.

Conceptual Framework

The paper proposes the following framework:

- Socioeconomic Conditions
- Access to Formal Financial Services
- Usage of Savings, Credit and Digital Services
- Financial Capability
- Productive Utilisation of Finance
- Income Generation / Savings / Financial Resilience

Potential Livelihood Transformation

Gender, education, income, digital literacy, rural location and availability of financial infrastructure may influence each stage of this process.

Financial Inclusion in Uttar Pradesh

Financial inclusion in Uttar Pradesh needs to be understood in the context of both formal banking expansion and continued demand for small-value financial services.

The national financial inclusion framework has increasingly moved from access towards usage and quality. The RBI reported that the national FI-Index reached 64.2 in March 2024, with growth particularly supported by the usage dimension. The RBI has also continued efforts to expand financial literacy and digital financial infrastructure.

At the household level, financial inclusion includes several interconnected components (Table 1):

Table 1: Key Dimensions of Financial Inclusion and Their Corresponding Examples

Dimension	Examples
Access	Bank account, branch, BC, ATM
Savings	Bank deposits, recurring savings
Credit	Banks, MFIs, SHGs
Insurance	Life and other risk protection
Digital Finance	UPI, mobile banking, digital payments
Financial Capability	Financial and digital literacy
Outcomes	Savings, enterprise, income and resilience

The Global Findex India 2021 data demonstrate why these dimensions need to be considered separately. In the Indian microdata, 78.8% of the surveyed respondents reported having an account at a financial institution. However, the dataset separately measures debit-card use, mobile/internet access to accounts and other forms of financial behaviour.

This distinction is particularly relevant for rural Uttar Pradesh. A person may have a bank account but still face difficulty in obtaining productive credit, understanding financial products, making digital transactions or using formal finance for business purposes.

Consequently, the following distinction becomes important:

Financial Access → Financial Usage → Financial Capability → Financial Outcomes

The challenge for Uttar Pradesh is therefore not only to increase the number of financially included households but also to ensure that financial services are accessible, affordable, understandable and useful.

Cashpor Micro Credit Case Study

Background: Cashpor Micro Credit provides a useful case for examining microfinance as a mechanism of financial inclusion in Uttar Pradesh. Earlier research describes Cashpor as a poverty-focused microfinance institution working extensively among poor households in eastern Uttar Pradesh. A study by Dwivedi, Dwivedi and Dwivedi reported that Cashpor had provided substantial microcredit to poor women in the region and examined its financial and operational model.

Research on Cashpor's mobile banking model also describes the organisation as serving low-income women in Uttar Pradesh and other states, while combining microcredit with mobile-based financial services. A field study near Varanasi involved observations of weekly meetings and interviews with 42 female consumers and other stakeholders.

Group-Based Lending

The Cashpor model illustrates how group-based lending can be used to extend credit to financially underserved women. Evidence from a 2023 study of financial inclusion in Uttar Pradesh describes Cashpor's lending structure in Mahatwar. Loans were provided in women's names, with weekly repayment arrangements and loan durations of approximately one to two years. The study reported loan sizes ranging from ₹5,000 to ₹1,50,000 in the surveyed setting.

The model can therefore be represented as:

- Low-Income Rural Women
- Group Formation
- Credit Assessment
- Microcredit in Individual Woman's Name
- Weekly Repayment & Group Interaction
- Productive / Household Financial Use
- Potential Livelihood Improvement

Financial Inclusion Dimension

Cashpor's relevance to financial inclusion lies in its ability to bring financial services closer to households that may have limited access to conventional formal credit.

The documented Cashpor model has included doorstep interactions and mobile-enabled financial services. Research conducted around Varanasi found that mobile technology was used to facilitate financial services to female customers at their doorstep.

An earlier development-sector report concerning Cashpor also describes efforts to promote saving behaviour and educate clients about avoiding exploitation by informal lenders.

Thus, the case extends the concept of financial inclusion beyond simply lending money:

Credit + Financial Interaction + Digital/Banking Linkages + Financial Awareness

can create a broader pathway towards financial participation.

Livelihood Perspective

Microcredit can potentially be used for livestock, petty trade, tailoring, food-related activities, agriculture-related activities and other small enterprises. However, the existence of a loan does not by itself establish that household income has increased.

Therefore, a rigorous livelihood study should measure:

- Purpose of loan
- Amount borrowed
- Investment in productive activity
- Revenue generated
- Household income before and after borrowing
- Savings
- Repayment burden
- Women's participation in financial decisions
- Household resilience to emergencies

This distinction is important because credit access is an input, whereas livelihood transformation is an outcome that requires empirical measurement.

FINDINGS and DISCUSSION

The analysis leads to several important findings.

Finding 1: Financial inclusion is Multidimensional

Financial inclusion cannot be adequately represented by the existence of a bank account alone. RBI's FI-Index itself incorporates **access, usage and quality**, supporting a multidimensional approach.

Finding 2: Usage is as Important as Access

The Global Findex framework separately measures account ownership, payments, savings, borrowing and digital financial activity. This supports the argument that meaningful inclusion requires active engagement with financial services.

Finding 3: Microfinance Can Address a Credit-Access Gap

The Cashpor case demonstrates how group-based microfinance can provide small loans to women in rural communities. Evidence from Uttar Pradesh documents loans being issued in women's names and repaid through regular group-based mechanisms.

Finding 4: Women Are Important Participants in The Financial Inclusion Process

The Cashpor model specifically focuses on women from low-income rural households. This creates an institutional channel through which women can become direct borrowers and participants in formal financial transactions.

Finding 5: Digital Technology Can Strengthen Financial Inclusion

The Cashpor field research near Varanasi demonstrates the use of mobile technology in delivering financial services to female customers at their doorstep.

Finding 6: Financial Inclusion Does Not Automatically Guarantee Livelihood Transformation

Access to credit may facilitate productive investment, but outcomes depend on how the credit is used, the profitability of the activity, market conditions, repayment obligations and household circumstances. Therefore, livelihood transformation should be established through household-level evidence rather than assumed from loan access.

Integrated Discussion

The findings suggest the following relationship:

- Financial Access
- Financial Usage
- Financial Capability
- Productive Credit/Savings
- Income-Generating Activity

- Financial Resilience

Cashpor provides an appropriate case through which this conceptual relationship can be examined at the grassroots level.

CONCLUSION AND POLICY IMPLICATIONS

Financial inclusion in Uttar Pradesh has moved beyond the traditional objective of expanding banking infrastructure. The contemporary challenge is to ensure that individuals and households can meaningfully use financial services to manage their finances, obtain appropriate credit, save, make payments and respond to economic shocks.

The evidence reviewed in this paper indicates that financial inclusion has several dimensions, including access, usage and quality. The Cashpor Micro Credit case demonstrates how microfinance can complement the formal financial system by extending small-value credit to women from low-income rural households.

The Cashpor experience is particularly relevant because its model has combined group-based microcredit with regular financial interaction and, in some contexts, mobile-enabled financial services. Evidence from Uttar Pradesh shows that such mechanisms can create channels through which financially underserved women participate in formal credit markets.

However, the paper does not assume that access to microcredit automatically results in poverty reduction or increased household income. Such outcomes require primary household-level research. Future research should therefore measure the complete pathway from financial access to financial usage and ultimately to livelihood outcomes.

Policy Implications

The following measures may strengthen financial inclusion in Uttar Pradesh:

- Move from access-based to usage-based measurement of financial inclusion
- Strengthen financial literacy programmes for low-income households
- Expand digital financial literacy alongside digital infrastructure
- Improve women's access to formal savings and productive credit
- Strengthen coordination between banks, MFIs, SHGs and Business Correspondents
- Monitor the productive utilisation of microcredit without imposing inappropriate restrictions on borrowers
- Promote awareness of insurance, pension and other risk-management products
- Develop district-level indicators covering access, usage, quality and livelihood outcomes
- Encourage systematic household-level studies of microfinance borrowers
- Evaluate financial inclusion through its contribution to financial resilience and sustainable livelihood opportunities, rather than account ownership alone

The broader lesson is that financial inclusion should be viewed as a process rather than a +one-time event:

Access → Usage → Capability → Productive Financial Behaviour → Resilience and Livelihood Outcomes

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