

Chapter 4

Bridging Informal Economies: FinTech Innovation and Street–Vendor Financial Inclusion in India

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ABSTRACT

Financial inclusion is fundamental for equal opportunities, economic development and resilience for individuals and nations. Fintech innovation has significantly enhanced this critical objective in the current digital age. This chapter explores the concepts of fintech innovation and financial inclusion. We analyze their dynamic interplay to include the underserved populations in India, especially Street vendors who have historically faced exclusion from the formal financial ecosystem. Subsequently, it assesses the potential and progress of India's financial inclusion policies, digital public infrastructure and fintech solutions in addressing challenges like digital inclusion, infrastructure issues, and economic vulnerability. India's case highlights the potential of combining technology with policy to advance inclusive financial systems.

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1. INTRODUCTION

Financial inclusion refers to providing equal access to financial services to every individual, with a special emphasis on those who are excluded from the society. The spread of financial exclusion in the 1990s sparked the discussion of financial inclusion in academic and policy circles. It was proposed as a solution to the problem of financial exclusion's harmful effects. In 1997, the term “financial inclusion” was first used in UK public policy (Veena M., 2022). However, it gained prominence and became a primary focus for global economies after the 2008 crisis. The crisis revealed that affordable access to financial services is vital to improve macroeconomic stability, reduce systemic risks, and increase resilience to shocks in society (Han & Melecky, 2013; Barajas et al., 2020). Recognizing the significance, financial inclusion was incorporated in the official agenda of the United Nations in 2015. It is regarded as an important means to achieve Sustainable Development Goals (SDGs) like poverty reduction (SDG 1), gender equality (SDG 5), economic growth (SDG 8), and inclusive industrialization (SDG 9) (United Nations, 2015).

India's journey has also been in alignment with the global trends, but with its own distinct nuances. Before the 1990s, the focus was to provide credit to the poor and marginalized sector of society. A number of organizations have been set up to deliver credit, such as State Bank in 1955, commercial banks were nationalized in 1969 & 1980, establishment of regional and cooperative rural banks in 1976 (Sakariya, 2014). Reforms were made after liberalization in 1991, which included priority-sector lending requirements and private bank licensing. The Self-Help Group-Bank Linkage Programme (SHG-BLP) of 1992 encouraged millions of rural women to participate in formal banking through community-based microfinance (NIRDIP et al., 2019). India's financial inclusion's latest phase is focused on digital innovations. It was led by the introduction of Aadhaar, a nationwide biometric identity system introduced in 2010. It helped to fill the identification gaps and led the remarkable campaign of account opening, enrolling millions of unbanked citizens (Rao & Nair, 2019; Ministry of Electronics and Information Technology, 2024). Since then, tools such as mobile banking, UPI, and real-time payment systems have further enhanced digital access. These platforms provide quickness, safety, and convenience without the need for a bank or physical money (Vidani, 2024).

Globally, the way people get access to finance has been changed by the fintech industry. In 2017, the G20 Global Partnership for Financial Inclusion (GPIFI) formally recognized the pivotal role of digital financial solutions in making financial inclusion accessible worldwide. Innovations like mobile money demonstrated potent inclusive effects by integrating informal workers and the marginalized into formal networks (Jacolin et al. 2021). This helps to provide them with opportunities to access credit, insurance, etc. (Tetteh et al., 2025). All this was unexpectedly accelerated by

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