Financial Inclusion – The Road Ahead

What is the issue?

\n\n

\n
- Government has taken many successful steps for financial inclusion.
\n
- Despite the efforts the credit penetration is very less, which needs to be resolved.
\n

\n\n

What is the significance of financial inclusion?

\n\n

\n
- Financial inclusion has been recognised as a key building block which will form the foundation for achieving several of UN’s Sustainable Development Goals.
\n
- As a construct, it provides much more than access to financial services.
\n
- In a country like India, till a few years ago, a bank account was a source of pride.
\n
- If properly implemented it would provide easy access to banking services to the vast majority of our population.
\n

\n\n

What measures were taken for financial inclusion?

\n\n

\n
- **Jan Dhan Yojana** – Under this scheme the government has opened over 30 crore accounts with almost 60 per cent being in rural areas.
\n
- The zero balance accounts amongst these have declined from 77 per cent in

2014 to 20 per cent now showing that the government has been successful in getting unbanked people to actively use it.
\n

- **JAM project -** Part of financial inclusion has been driven through the linking of Jan Dhan accounts, Aadhaar and mobile number for providing Direct Benefit Transfer (DBT).
\n
- **Digital Infrastructures -** infrastructure to handle all aspects of servicing such a large segment of the population has been created by the government.
\n
- A multitude of solutions such has UPI, BHIM, NeSL and BBPS are few of the efforts in this regard.
\n

\n\n

What are the challenges with financial inclusion?

\n\n

\n

- Many recent surveys find out that penetration of credit, deposit, insurance and branch to the people is still low in India.
\n
- Out of this availability of credit remains a major roadblock for a vast majority of the population and this problem is exponentially greater for the unbanked segments of India.
\n
- The biggest deterrent to resolving credit penetration has been the lack of tangible data points, which can help the credit bureaus put together better underwriting models for these unbanked customers.
\n
- There has been intensive flows into investment avenues like mutual funds, where the Assets Under Management (AUM) now stands at nearly Rs.25 trillion, but the idea has been less penetrated to the account holders.
\n

\n\n

What measures needs to be taken for financial evolution?

\n\n

\n

- **Democratisation of credit –** The problem of credit penetration can be resolved by linking bank accounts with Aadhaar, which provides a consistent flow of payments data.

\n
- By this a large part of the incremental credit would go to individuals rather than corporate houses, which form the bulk of the outstanding credit in recent times.
\n
- **Financialization of savings -** With the investible surplus being much lower for savings segment, innovation will hold the key in designing products which are suitable for this segment while at the same time, being value accretive for the service providers.
\n
- **Financial Literacy -** Enhancing financial literacy across all age groups, will make financial inclusion much easier and increases financial participation.
\n

\n\n

\n\n

Source: Business Line

\n

