Real Financial Inclusion

What was the issue?

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- The JAM framework has been the centre piece of financial inclusion in India.
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- But the focus on reforming PSBs should be revamped for better inclusion.
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What is financial inclusion?

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- It is a process of making financial services (savings, credits and insurance) accessible at affordable costs to all individuals and businesses.
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- A broad and vibrant financial sector can lubricate the engine of growth.
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- It is an important aspect of financial development.
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- Financial inclusion can also be an important catalyst for promoting equity and poverty reduction.
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- It allows even the less well-off to store money and send and receive payments.
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What is JAM?

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- It is a three-part strategy based on using digital technologies standing for Jan Dhan (banking), Aadhaar (biometric identity) and Mobile (transactions).
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- It has the potential to avoid a common problem in policymaking in India like

intervention and leakage and facilitate financial inclusion.
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- e.g Biometric identity cards have reduced corruption in welfare programmes.
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Why reforming PSB should also be focussed?

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- The commercial bank loan officers can be more efficient and include more people if provided with better designed incentives.
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- e.g A study found that a properly incentivised loan agents working for SEWA Bank can improve access to loans and integration of women into the labour market.
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- Attention should be given to the structure of such organisations, including the incentives provided to employees and overall organisational culture.
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- Enlisting local trader agents in lending decisions can improve inclusion of small farmers.
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- Better targeting of credit to small farmers might also help them in getting better prices for their output.
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- Agricultural insurance can be designed to be both affordable and beneficial for production and welfare.
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- Existing government assistance programs, such as loans, training, and marketing, do not help these firms transition and grow.
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- Employment creation through the growth of India’s myriad small firms seems like an essential part of generating job-friendly and inclusive growth.
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- Institutional innovation like effective regulation, targeting etc., is necessary in both the public and private sector.
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Source: The Indian Express

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