UPSC Civil Services Examination

Subject – UPSC GS-III

Topic – Financial Inclusion

As how the World Bank defines it, "Financial Inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way." In India, the government too has tried to financially include its citizens through initiatives like jan dhan yojana, aadhar etc. The topic, 'Financial Inclusion' is important for IAS Exam from the perspective of GS-III (Economics.)

This article will provide relevant facts about Financial Inclusion and government's National Strategy for Financial Inclusion.

National Strategy for Financial Inclusion (2019-2024)

The key facts about National Strategy for Financial Inclusion are mentioned in the table below:

National Strategy for Financial Inclusion	
Who has brought out the National Strategy for Financial Inclusion?	Reserve Bank of India (RBI) introduced this strategy
What is the timeline of this strategy?	2019-2024
What is the objective of the National Strategy for Financial Inclusion?	To accelerate financial inclusion to promote economic well being, prosperity and sustainable development
What is the strategy of National Strategy for Financial Inclusion?	It aims to provide access to formal financial services in an affordable manner, broadening & deepening financial inclusion and promoting financial literacy & consumer protection

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<td>What is the vision of National Strategy for financial inclusion?</td>
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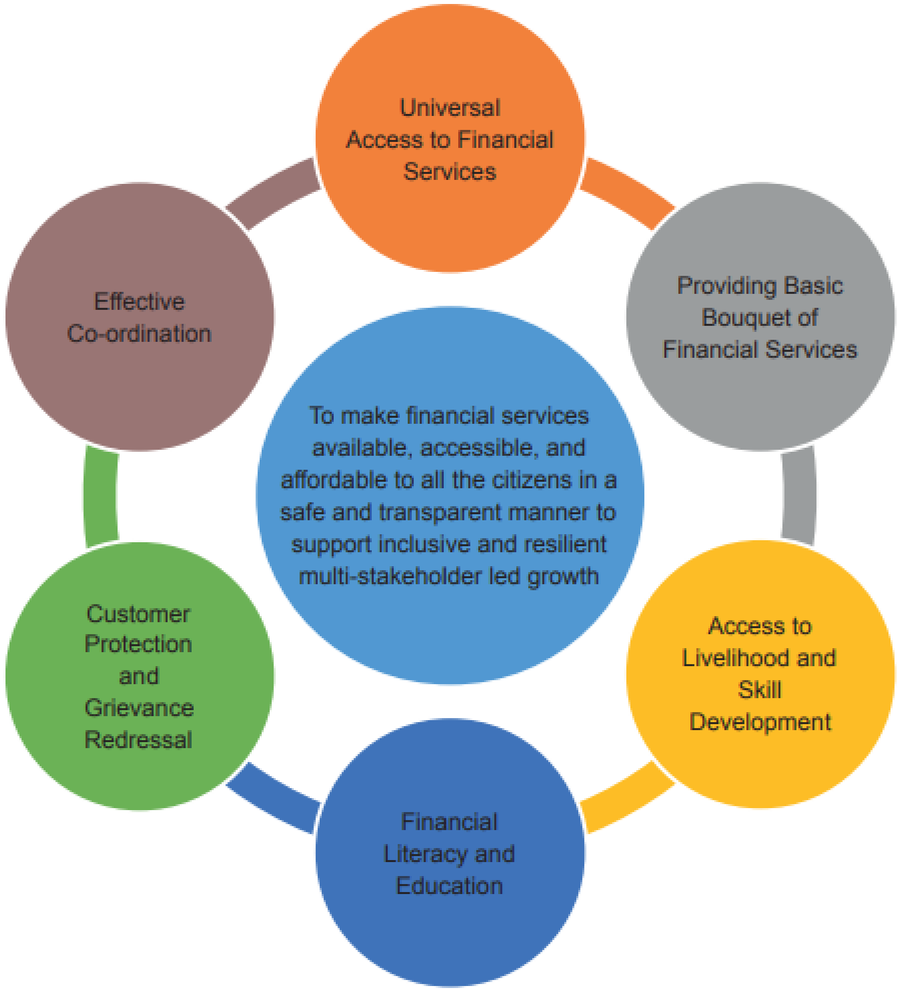

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<td>Which centres are included in this strategy?</td>
<td>All Tier-II to Tier-VI centres</td>
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<td>Key-highlight of the strategy?</td>
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To move towards a less-cash society is one of the aims encompassed in this strategy. The deadline is decided to be March 2022
An insurance scheme and a pension scheme have been mentioned in the strategy under which a willing and eligible adult who is already enrolled under the PM Jan Dhan Yojana (might be delayed due to Wuhan Coronavirus)
The Public Credit Registry (PCR) is planned to be made fully operational by March 2020. This will lead authorized financial entities to assess the credit proposals from all citizens.

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<td>Who are the stakeholders of National Financial Inclusion</td>
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Financial Consumers.
Financial Market players like banks, non-banking financial companies (NBFC)
Educational Institutions.
Non Governmental Organizations (NGOs).
Financial Sector Regulators.

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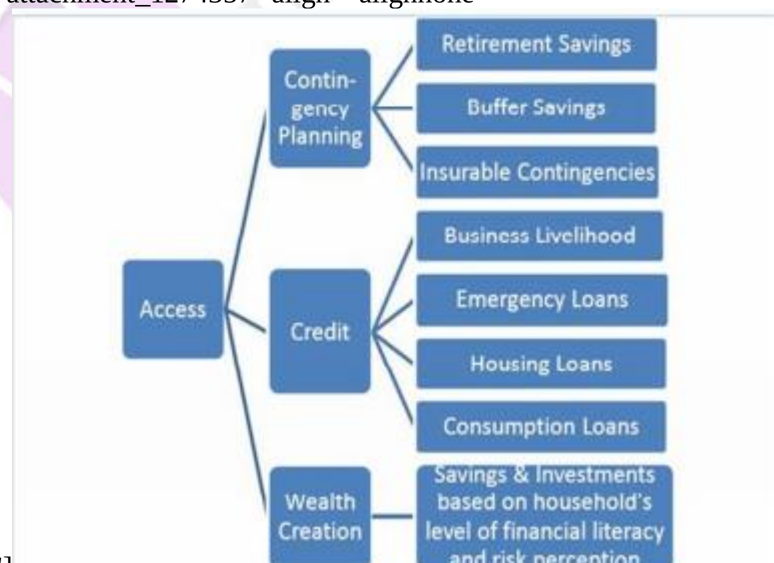
Strategy?	• Both Central and State governments. • Multilateral international players like OECD, G-20, and others.
What are tier-I to tier-VI cities?	According to 2011 census, they are categorized as per population: Tier-I: 1 lakh and above Tier-II: 50000-99999 Tier-III: 20000 - 49999 Tier-IV: 10000 - 19999 Tier-V: 50000 - 9999 Tier-VI: Less than 5000

Relevant Facts about Financial Inclusion for UPSC

1. The main concept of financial inclusion is to ensure delivery of financial services :
    - bank accounts for savings and transactional purposes,
    - low cost credit for productive, personal and other purposes,
    - financial advisory services,
    - Insurance facilities (life and non-life) etc.
2. The report on the committee of financial inclusion reforms mentioned the household access to financial services, depicted in the diagram below:
    - [caption id="attachment_1274357" align="alignnone" width="388"]



Source : Committee on Financial Inclusion[/caption]

3. There are three challenges to financial inclusion and those can be termed to be:
    - High cost of the plan
    - Lack of technological advances
    - Lack of awareness among massess

Financial Inclusion and India

Despite various governmental initiatives, the state of financial inclusion is not very bright:

1. Only about 5% of India's 6 lakh villages have bank branches. There are 296 under-banked districts in states with below-par banking services
2. Very large segment of agricultural sector is starved of formal credit, forcing the farmers to borrow from the informal moneylenders at usurious interest rates.
3. Small and Medium Enterprises (SME) sector, which provides 90 per cent of non-farming employment, could access only 4 per cent of institutionalized finance, leaving the rest to usurious money lenders.