

🌐 FINANCIAL INCLUSION & FINANCIAL LITERACY 💰

CH- 16 MODULE A PPB By Ashish Sir

🤖 What is Financial Inclusion?

Financial inclusion ensures affordable financial services 📊 to the disadvantaged and low-income groups 💰, preventing financial exclusion ❌. It includes:

- ✅ Bank Accounts 🏦
- ✅ Payments & Remittances 📄➡️
- ✅ Loans & Credit 📄
- ✅ Savings & Investments 📈
- ✅ Insurance & Pension 🏥👤

PMJD
PMJDY
MSBY
APY

📊 Key Aspects of Financial Inclusion

🏦 Aspect	🔍 Details	🌟 Real-World Example
Banking Access ATM	Opening zero-balance accounts	PM Jan Dhan Yojana – Over 50 crore bank accounts opened 🏦
Microfinance 💰	Small loans for businesses & women empowerment 👤	SHG-led women's group receiving ₹10,000 micro-loan for setting up a tailoring shop 👗

USSD Code Micro ATM

Digital Payments 📱💳	<u>UPI, Mobile wallets,</u> Internet Banking	Google Pay, Paytm, PhonePe – transforming rural transactions 🚀
Micro Insurance 🏥	Affordable health & life insurance	PM Jeevan Jyoti Bima Yojana – ₹330 /year for ₹2 lakh coverage
Micro Pensions 😊	<u>Small savings for future</u> security	Atal Pension Yojana – ₹210/month ensures ₹5,000 pension at 60 yrs
Financial Literacy 📖📚	Educating rural & urban poor about banking	<u>RBI's Financial Literacy Centers (FLCs)</u> 📖🏦

💡 Why is Financial Inclusion Important?

- #1 **Empowers the Poor** 🚀 – Helps low-income groups participate in the economy.
- #2 **Reduces Dependence on Moneylenders** 🏦 – No more high-interest local borrowing.
- #3 **Boosts Savings & Investment** 💰📈 – Encourages economic security. **SHG**
- #4 **Encourages Digital Economy** 📱 – Less cash dependency, more UPI & digital transactions.
- #5 **Improves Women's Financial Independence** 👩 – Women-led SHGs play a crucial role. **SHG**











◆ **Enhances Economic Growth** 📊 – More people in **formal banking** = Higher GDP.

🏦 **How Banks & Financial Institutions Benefit?**

- #1 **Increase in Customer Base** 📈 – More account holders = More transactions.
- #2 **New Business Opportunities** 💰 – Insurance, credit, digital payments expand banking services.
- #3 **Government Support & Subsidies** 🏛️ – Banks working on financial inclusion get incentives.
- #4 **Lower Risk of Bad Loans** 🚫🏠 – Formal banking reduces **fraud & high-risk lending**.

🌐 Global Initiatives	🇮🇳 Indian Initiatives
⇒ Grameen Bank (Bangladesh) – Microfinance pioneer by Muhammad Yunus 💡	Pradhan Mantri Jan Dhan Yojana (PMJDY) – World’s largest financial inclusion program 🏦
⇒ G20 Financial Inclusion Plans 📊	UPI & Aadhaar Banking – Digital financial revolution 📱
⇒ Mobile Money (M-Pesa, Kenya) 📱	RBI’s Basic Savings Bank Deposit Accounts (BSBDA) 🏠

Challenges in Financial Inclusion

- #1  **Low Financial Literacy**  – People don't understand banking.
- #2  **Lack of Digital Access**  – Rural areas still have low internet & mobile penetration.
- #3  **Trust Issues**  – Fear of banks & fraud.
- #4  **Operational Costs for Banks**  – High cost of opening rural branches.
- #5  **Cybersecurity Risks**  – Digital frauds can impact financial stability.

 **Solutions:** More awareness campaigns, better infrastructure, and simplified banking rules!  


DEAF


Costing 




Financial Inclusion by Extending Banking Services

 **Use of Business Facilitators (BF) & Business**

Correspondents (BC)

 Many rural and low-income individuals lack direct access to banking services.

 **RBI allows banks to use NGOs, SHGs, and MFIs as intermediaries under **BF & BC Models** to bridge the gap!**

 Model	 Who Can Be Engaged?	 Functions & Activities
#1 BF (Business Facilitator) 🤝	NGOs, SHGs, Farmer Clubs, Post Offices, Insurance Agents, Panchayats, Agri Clinics, IT-enabled outlets	Identifying borrowers, <u>financial literacy</u> , processing loan applications, post-loan monitoring, SHG formation 🧑🏫📄
#2 BC (Business Correspondent) 📣	Retired bank employees, teachers, government employees, ex-servicemen, fair price shop owners, MFIs, cooperative societies, post offices, companies (except NBFCs)	Account opening, credit disbursement, micro-insurance, deposits collection, loan recovery, remittances 💰📱

 **Key Difference:**

BFs only facilitate, whereas BCs handle actual transactions like deposits, loans, and withdrawals!

 **Terms & Conditions for Engaging BF/BC**

✅ **Commission & Fee:** Banks pay a fee to BF/BC, but they cannot charge customers directly ❌💰

✅ **Technology Adoption:** Transactions must be ICT-enabled (mobile

devices, biometrics, digital platforms) 📱💻

✓ Risk Mitigation:

- Cash handling limits & receipt issuance for all transactions 📄💵✍️
- Security & confidentiality of customer data 🔒 *fidicoverry*
- Clear agreements stating **banks are responsible** for customer interactions 👤

📌 Ultra Small Branches (USBs)

🏦 RBI permits **low-cost Ultra Small Branches** in rural areas to **supervise BC activities**.

🏢 Feature	📌 Details
#1 Structure	Simple brick-and-mortar building 🏠
#2 Purpose	Serves 8-10 BC units within 3-4 km radius 📶
Facilities	CBS terminal, passbook printer, cash safe, full-time bank officer 👤
Classification	Recognized as an independent or part-time banking outlet ✓

📌 **Example:** A village USB provides passbook updates, ATM cards, small cash deposits, and withdrawals, reducing travel distance to banks 🚜🏦

BC/BF

Customer Grievance Redressal 📞 SOS

#1

✓ Banks must have a dedicated system for addressing complaints regarding BC/BF services.

✓ Contact details of Grievance Officers should be widely publicized.

✓ If unresolved within 60 days, customers can approach Banking

Ombudsman 🏛️

[IOS 2021]

💡 **Example:** If a villager complains about mismanagement by a BC agent, they can contact their bank. If unresolved in 2 months, they escalate it to the Banking Ombudsman for justice.

Information & Comm. Technology

Role of ICT in Financial Inclusion

◆ Technology enables banking even in rural areas 📶🌐

◆ Biometric authentication ensures security ✓🔒

◆ Mobile banking and digital wallets reduce the need for physical

branches → 📱💳

◆ Digital literacy helps illiterate users access banking safely 🧑🎓📖

📌 **Example:** Rural farmers use Aadhaar-linked biometric authentication for secure banking transactions via BC agents.

Customer Education & Financial Literacy


 **Lack of awareness** is a major barrier to **financial inclusion!**

 Banks must **educate customers** in their local language about:

 **Benefits of banking & digital payments**  

 **Savings & insurance awareness**  

 **Avoiding fraud & financial scams**  

 **Example:** SBI organizes **financial literacy camps in villages** to educate farmers on how to use digital payments and avoid loan frauds.

Financial Inclusion Through Banking & Digital Innovations

Setting Up of Payment Banks (PBs)


 **Objective:** Increase **financial inclusion** by offering:

1 Small Savings Accounts  











2 Payments & Remittance Services  

Who Benefits?

 Migrant Workers |  Low-income Households |  Small Businesses




|  **Unorganised Sector Workers**

Scope of Activities of Payment Banks

 Service	 Details
Deposit Accounts 	Maximum ₹2 lakh per customer
Cards & Payments  	ATM/Debit Cards, Internet Banking
Remittances 	Domestic money transfers
BC for Other Banks 	Act as intermediaries for major banks
Financial Products 	Simple insurance, mutual funds
Utility Bill Payments  	Electricity, water, mobile recharge


Imp.

◆ Physical Presence Requirement:

- 25% of branches must be in rural areas 
- Mostly operate through BCs, ATMs, digital platforms  


 **Example:** Airtel Payments Bank & Paytm Payments Bank allow instant online bank accounts, cashless transactions, and UPI payments.

SHG-Bank Linkage Programme


 SHGs (Self Help Groups) bridge the gap between:

 Banks +  Rural Poor = Financial Inclusion 

◆ **RBI Guidelines:** All banks must provide complete credit access to SHGs.



 **Example:** NABARD's SHG-Bank Linkage Programme helped over **100 million women** get **microloans** for starting small businesses.


Co-Lending by Banks & NBFCs to Priority Sectors

 **RBI's 2020 Guidelines** introduced the **Co-Lending Model (CLM)** to improve credit flow to:

 **Agriculture** |  **MSMEs** |  **Affordable Housing** |  **Healthcare**

Why Co-Lending Works?

	 Bank Strengths	 NBFC Strengths
#1	Lower cost of funds 💰	Wider rural & small business reach 🚜
	Strong regulatory framework 🏛️	Quick & flexible lending process 📄
	Better financial security 🗝️	Deep local market knowledge 🏠

 **Example:** SBI partners with Bajaj Finserv to provide **quick business loans** to MSMEs.

Use of Mobiles/Tablets in Financial Inclusion Drive

Introduction to Mobile Banking

 **Mobile banking = Banking via phone apps, SMS, USSD**

 **Key Factors for Growth:**

✓ Low-cost smartphones 📱

✓ Faster internet (4G/5G) 📶

✓ COVID-19 impact: Shift to digital payments 🦠💳

📌 Example: During COVID-19, PM Jan Dhan Yojana (PMJDY) accounts were credited with DBT payments, allowing rural households to access cashless banking.

📌 Mobile Banking & Financial Inclusion

◆ Empowers the poor by providing:


✓ Credit & Savings 💰

✓ Insurance & Pension 🏠👩








✓ Payments & Remittances 💳

📊 How Mobile Banking Helps the Poor?







🏦 Service	🎯 Impact
➡ Instant Money Transfer 📄	No need to visit a bank
➡ Digital KYC & Account Opening ID 📱	No paperwork required
➡ Agent-Based Transactions 🤝	Helps illiterate users transact easily
➡ Wage Transfers via Mobile 💰	No wage loss for migrant workers
➡ Microloans via Apps 📊	Faster access to credit


 **Example:** UPI-based apps like **PhonePe, Paytm, and Google Pay** allow small businesses and individuals to **accept payments without a physical POS machine.**

Challenges in Mobile Banking Adoption

- #1**  **Security Risks**  – Fear of fraud/hacking
- #2**  **Device & OS Compatibility Issues**   – Different mobile platforms
- #3**  **Low Digital Literacy**  – First-time banking users struggle with mobile apps

Solutions:

-  1 Simplified banking apps 
-  2 Security enhancements 
-  3 Mass awareness campaigns 

 **Example:** **PM Digital Saksharta Abhiyan** trains rural users in digital payments and mobile banking.

USSD-Based Mobile Banking

 **USSD Banking = Mobile Banking Without Internet**

 **Launched by NPCI in 2012 with *99#**



◆ USSD 2.0 with UPI (2016) enabled mobile banking on feature phones 📱

📌 **Example:** A farmer with a **basic Nokia phone** can check account balance & transfer funds using *99#.

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📌 **Digital Onboarding**

✅ **Banks use FinTech to onboard new customers via:**

- Aadhaar-based eKYC 🆔
- Digital KYC (V-CIP) 🖥️ 📄
- Direct Benefit Transfer (DBT) 💰

📌 **Example:** Aadhaar-Pay allows instant eKYC verification for new bank account openings.

📌 **Digital Lending**

📌 **RBI's Digital Lending Guidelines (2021) focus on:**

- 1 Regulating online lending platforms
- 2 Weeding out unauthorized lenders
- 3 Protecting borrowers from frauds