





FINANCIAL INCLUSION & FINANCIAL LITERACY

CH- 16 MODULE A PART 2 PPB By Ashish Sir

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






 **Example: RBI cracked down on illegal Chinese loan apps**, ensuring transparency in digital lending.


What is Financial Literacy?

Financial Literacy = Knowledge & Understanding of Financial Products

It helps people make informed financial decisions  

Financial Literacy & Financial Inclusion: The Twin Pillars





 Aspect	 Role
Financial Literacy 	Creates demand by making people aware of available financial services 
Financial Inclusion 	Supplies financial services to meet the demand <input checked="" type="checkbox"/>


 **Example:** A farmer with **financial literacy** understands **crop insurance benefits**, while **financial inclusion** ensures they get **affordable coverage**.

Importance of Financial Literacy

◇ Prepares individuals for life-cycle needs (education, retirement, home loans)  
















◇ Reduces financial stress during emergencies (medical crises, job loss)  


- ◇ Prevents debt traps by promoting responsible borrowing  
- ◇ Encourages savings & investments for future security  

 **Example:** Many rural workers fall into the trap of **high-interest informal loans**. Financial literacy helps them use **bank loans at lower interest rates** instead.





Who Needs Financial Literacy?


Everyone in the Economy Needs Financial Awareness!

 Category	 Why Financial Literacy Matters?
Rural & Urban Poor  	Learn about savings, loans, insurance, pensions 
Lower & Middle-Income Groups 	Avoid unnecessary debt, plan for home & education loans  
High Net-Worth Individuals (HNWIs)  	Smart investment strategies, wealth management
Bankers & Financial Institutions  	Risk assessment, fraud prevention, compliance <input checked="" type="checkbox"/>
Government & Regulators  	Policy-making for economic growth 

 **Example:** Even **wealthy individuals** need financial literacy to **diversify investments and avoid scams!**



How Financial Literacy is Imparted?

- RBI directs all banks to establish Financial Literacy Centres (FLCs)
- FLCs conduct awareness programs for:
 - Students 
 - Women & SHGs 
 - Pensioners & Senior Citizens 
 - Rural & Urban Poor 

 **Example:** Banks conduct **financial literacy camps** in villages to teach farmers about **crop loans, Kisan Credit Cards, and insurance schemes.**

RBI's Initiatives for Financial Literacy

National Centre for Financial Education (NCFE)

- Established in **2013** with support from **RBI, SEBI, IRDAI, and PFRDA.**
 - Implements **National Strategy for Financial Education (NSFE).**
 - Conducts **National Financial Literacy Assessment Test (NCFE-NFLAT)** for **students (Classes 8-10)** to promote financial awareness
-   .

E-Learning Management System for financial education for **youth, adults, and teachers.**

 **Example: NFLAT motivates students to learn finance** – like how to save, invest, and avoid scams.




Centres for Financial Literacy (CFLs)

Launched in 2017 as a **community-led financial literacy initiative**



CFLs are set up at **every block level across India**  

Conduct **awareness drives** for financial protection, banking inclusion & fraud prevention 

 **Example: CFL workshops** teach people in remote areas about **UPI payments, Aadhaar linking, and cashless transactions**  .

Rural Self Employment Training Institutes (RSETIs)



RSETIs are a **Ministry of Rural Development (MoRD)** initiative to provide:

1 **Skill Development** 




2 Entrepreneurship Training


3 Employment Opportunities for Rural Youth

 **Managed by Banks** with support from **GoI & State Governments**.

 **Inspired by the 1962 Rural Development & Self Employment Training Model!**





Objectives of RSETIs


- Train Rural BPL Youth for Self-Employment**  
- Ensure Demand-Driven Skill Training** 
- Assess Candidate's Aptitude Before Training** 
- Provide Support for Bank Credit Linkage**  
- Offer Escort Services for 2 Years Post-Training** 
- Provide Free Residential Training (Food & Accommodation)**  

 **Example: A rural woman trained in tailoring at an RSETI gets a bank loan to start her own business, increasing her financial independence!**

RSETI Training Programs

Each RSETI offers **30-40 training programs annually** , lasting **1 to 6 weeks**.

 Training Type	 Examples
Agricultural Programs 	Dairy farming, organic farming, mushroom cultivation  
Product Programs 	Candle making, pottery, handicrafts, bamboo products  
Process Programs 	Welding, plumbing, motor winding, electrical repair  
General Programs 	Entrepreneurship skills, financial literacy, IT skills  

 **Example:** A rural youth trained in **solar panel installation** under an RSETI program gets a **job with a renewable energy company** or starts **his own business**.