SIES College of Management Studies
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FinScom

vittashastra

VOLUME I

# vittashastra

## FINANCIAL INCLUSION

# ABOUT US

The South Indian Education Society (SIES) is one of the oldest educational societies in India. Founded in 1932 by Shri M.V. Venkateshwaran which now has grown to become a conglomerate of various institutions with over 15,000 students under its wing.

SIES College of Management (SIESCOMS) established in 1995, offers two-year full time management program (MMS) affiliated to the University of Mumbai and is approved by the All India Council for Technical Education (AICTE) while SIES School of Business (SIESSBS) offers AICTE Approved PGDM and AIMA PGDM programs. The international accreditation of PGDM program by Accreditation Council for Business Schools and Programs (ACBSP), USA has put SIESSBS on a different pedestal where only a few top Indian business schools exist.

The concept of ‘FinScom - The Finance Society of SIESSBS & SIESCOMS’ emerged in December 2020 and underwent extensive planning and deliberation. It was officially established on February 28, 2021. As the pioneering specialization-led society on campus comprising of twenty-nine members (2022-24 Batch), FinScom's primary goal is to cultivate a learning environment and nurture advanced qualities in students for their finance careers. The objective is to establish a platform for finance students to connect and learn, provide additional support in developing core corporate skills, and raise awareness about financial concepts through events and interactions.

In the dynamic landscape of management education, staying ahead requires not just classroom knowledge, but also a holistic understanding of industry trends, leadership insights, and the art of effective communication. With this vision in mind, FinScom embarked on a transformative journey that led to the inception of an engaging and informative magazine – “Vittashastra”.

From conceptualization to execution, various steps were taken by the members of the team which involved brainstorming, editing, designing, collaboration, content creation among others. The magazine's scope wasn't confined to the college, it extended to the broader academic community. The team reached out to students from other colleges, faculty, and alumni inviting them to contribute articles. This collaborative approach not only enriched the magazine's content but also fostered cross-institutional relationships and knowledge sharing.

The editorial team consisted of five members who efficiently curated, edited, and coordinated content to ensure a cohesive and engaging final product. This journey of launching a magazine and it’s first edition showcased the committee's dedication to enhancing the academic experience. This magazine not only became a source of knowledge but also a testament to the power of collective creativity and the potential that emerges when diverse talents unite to achieve a common goal.

## FROM DIRECTOR'S DESK

Dear Readers,

India as a nation is at such a stage where it is very essential to take all segments and strata of society together. This is where financial inclusion becomes so important. All the people of the country should be aware of the schemes initiated by the government for putting in their hard-earned money as savings, where to invest and keep their futures secure. Awareness about savings and investment becomes very important. The government has been taking steps since the last 10 years in this direction. This has resulted not only in increasing the awareness of people but also increasing their disposable income towards savings and investments. This will surely go a long way in making India self-reliant and making India the third largest economy in the coming 5 years.

This is a very good initiative by the students for the Inaugural Finance magazine and I wish them all the best.

**Dr. Sandeep Bhanot**

**In charge Director,**
**SIES College of Management Studies**

Dear Readers,

Welcome to the inaugural edition of Finscom-3, the finance magazine designed exclusively for students and outsiders. As we embark on this exciting journey together, I am thrilled to introduce you to our first issue, "Vittashastra," focusing on the vital theme of "Financial Inclusion."

As Warren Buffett once said, "The stock market is filled with individuals who know the price of everything but the value of nothing." In the pages of Finscom-3, we aim to bridge this gap by providing you with a deeper understanding of the intricate workings of finance. Our mission is to empower you with knowledge and insights that will enable you to navigate the complex financial landscape with confidence.

Let us take a moment to reflect on some noteworthy examples that highlight the significance of finance in today's world. . Look at companies like Apple, which revolutionized the technology industry through innovative products and strategic financial management. Their visionary approach to finance propelled them to become one of the most valuable companies in the world. Since the last 10 years in this direction. This has resulted not only in increasing the awareness of people but also increasing their disposable income towards savings and investments.

This will surely go a long way in making India self-reliant and making India the third largest economy in the coming 5 years. This is a very good initiative by the students for the Inaugural Finance magazine and I wish them all the best.

The rise of decentralized finance platforms has opened new avenues for financial inclusion, empowering individuals who were previously excluded from traditional banking systems.

Through FinScom, we aim to inspire and educate you about the power of finance and its transformative potential. We will feature articles, interviews, and insights from finance gurus and experts who have shaped the industry. Their wisdom will guide you in making informed decisions and navigating the ever-changing financial landscape.

Congratulations to all FinScom Members who have taken the commendable initiative of launching Vittashastra our finance magazine tailored for students and outsiders. Your dedication and passion for the subject have brought this exciting project to fruition.
Let us explore the world of finance, uncover new opportunities, and together, shape a future where financial inclusion is not just a concept but a reality for all.

**Dr Nitin Vazirani**

**Dean HR and Acting Director**
**SIES School of Business Studies**

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By Akshay More
SIES College of Management Studies

## FINANCIAL INCLUSION FOR ONE AND ALL: THE INDIAN JOURNEY

### Introduction

It has been 75 years since the independence of India, but today we have found some measure of control or answers to the questions that loomed like mountains in independent India in 1950. Inequality existed in the past and it still persists today, as even if everyone has access to financial facilities, money is needed to utilize those services.

According to the Global Multidimensional Poverty Index in 2023, 16.4% of our population is living below the poverty line without access to money. In India, 16.4% of the population is estimated to be poor, with 4.2% classified as extremely poor. The risk of poverty affects an estimated 18.7% of the population. The question then arises: how can people utilize financial services if they are poor? However, according to a survey conducted by the Times of India in 2023, 99% of people have access to banking services.

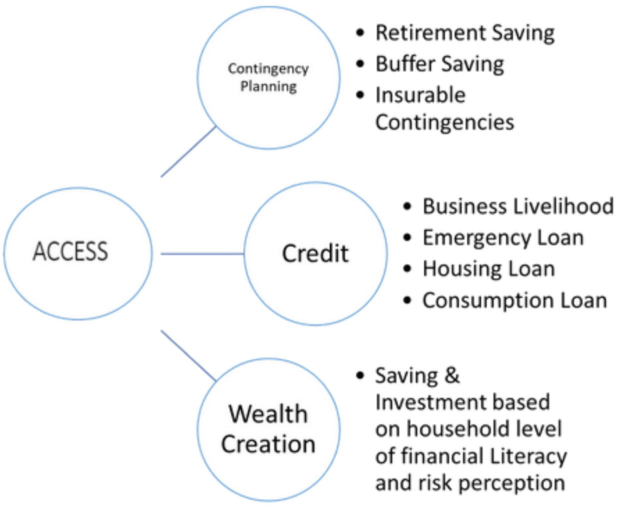
### Definition of Financial Inclusion in India

In India, which is essentially a democracy, what is meant by financial inclusion? I consider financial inclusion to be the equal opportunity (Article 14: Right to equality) and availability of financial and banking services to all industries, businesses, and people in rural and urban areas. Financial inclusion will continue to be necessary in 2023 and beyond, just as it was in 1950. Financial inclusion aims to provide everyone with the ability to save money, borrow money for personal and professional purposes, earn interest on investments, and invest money in various plans.

### Historical Progress in Financial Inclusion

In India, which is essentially a democracy, what is meant by financial inclusion? I consider financial inclusion to be the equal opportunity (Article 14: Right to equality) and availability of financial and banking services to all industries, businesses, and people in rural and urban areas. Financial inclusion will continue to be necessary in 2023 and beyond, just as it was in 1950. Financial inclusion aims to provide everyone with the borrow money for personal and professional purposes, earn interest on investments, and invest money in various plans.

## Importance of Financial Inclusion




Looking at the history of financial inclusion, the privatization of banks in 1969 and 1980, the importance given by the Rangarajan Committee in 2006 for financial inclusion, the inclusion of LPG (Liberalization, Privatization, and Globalization) in India in 1991, the establishment of SEBI in 1988, the establishment of regional rural banks in 1975, the establishment of NABARD in 1982, incentives provided to private companies in the insurance sector, ATM services, mobile banking, and postal banking — all these initiatives have been observed to enhance and foster an appreciation for financial well-being among individuals.

## Social Aspects of Financial Inclusion:

Today, India is dreaming and moving towards becoming a world superpower in the 21st century; this is a commendable goal. However, the economic gap between the rich and the poor in Indian society continues to widen day by day. Merely having two meals a day for poor individuals does not imply that everything is going well. If we analyze the savings in the bank accounts of the poor, it is often not even ten thousand rupees. Although the PM Jan Dhan Yojana facilitated the opening of zero savings accounts for all, today many poor individuals have little to no money in their bank accounts. This is largely due to the low salaries earned by the poor from their employment. Government data as of April 1, 2023, indicates that unskilled workers earn an income of only 200 to 333 rupees through schemes like MGNREGA. The key point to note is that providing financial services alone will not suffice. Instead, by increasing people's purchasing power and providing them with fair employment opportunities, money can truly make a difference in their lives. This, in turn, will enhance their enthusiasm to utilize financial facilities and improve their financial well-being.

Women's self-help groups and farmers are benefiting from financial inclusion, as various schemes have been implemented to support them. Farmers receive direct benefit transfers from the government, with money being promptly deposited into their bank accounts. The government has also launched initiatives such as PM Vaya Vandana Yojana, PM Jan Dhan Yojana, Atal Pension Yojana, Mudra Yojana, Sukanya Samriddhi Yojana, and PM Suraksha Bima Yojana to promote financial inclusion. Additionally, programs like Digital India play a crucial role in strengthening India's economy. According to the India Digital Payments Annual Report, a staggering 87 crore and 92 lakh online transactions have been conducted.

## Infrastructure for Financial Inclusion:

| | Total | Rural | Percentage |
|---|---|---|---|
| Public Sector | 91590 | 28859 | 31.50 |
| Private banks | 37042 | 7598 | 20.41 |
| RRBs | 22293 | 15389 | 69.03 |
| Others | 6943 | 1068 | 15.38 |
| Total | 157868 | 52914 | 33.51 |

According to the figures mentioned above, India has made commendable progress in the banking industry since 1970. Furthermore, the emergence of private insurance companies like New India Assurance and their role in the financial system contributes to India's rapid growth rate. It seems that almost everyone now has a LIC policy, reflecting increased confidence in government programs. In the year 2022-2023, LIC recorded a revenue of Rs 35,997 crore. The Akshay Jeevan Yojana offered by LIC has garnered significant support from the public. Our focus should be directed towards improving banking services in rural areas. The higher failure rate of cooperative and district banks contributes to this issue. To address this, it is crucial to enforce regulations. Additionally, government bank branches should be expanded in rural regions to enhance the people's financial situation and living standards while creating employment opportunities. Notably, HDFC Bank plans to establish 600 branches in semi-urban areas by FY 2024. Regional rural banks and NABARD have provided financial services and lending support to farmers.

**Education and Awareness for Financial Inclusion:**

According to the 2023 figures, education in India reveals that Rajasthan (69.7%), Uttar Pradesh (73%), Andhra Pradesh (66.4%), Bihar (70.9%), and Jharkhand (74.3%) have lower literacy rates compared to other states. Additionally, the literacy rate of women is relatively lower than that of men in every state. Merely promoting Digital India does not guarantee financial inclusion. In today's inflationary environment, people have to spend thousands of rupees on cooking gas. For those with limited financial means, affording it becomes challenging, making it difficult for them to save for the future. The primary reason for this is a lack of awareness. To address this, short video advertisements or awareness campaigns by banks and insurance companies, featuring renowned brand ambassadors, can be employed. There should be awareness regarding the use of financial services and security measures.

**Quality and Security for Financial Inclusion:**

With the rise of technology, there has been an increase in cyberattacks, making the security of all financial facilities a top priority. After allegations of a cyberattack emerged, the AIIMS in Delhi shut down all computer systems. A similar assault on financial services could have significant economic consequences. Every month, there are news stories of unknown individuals breaking into ATMs and fleeing with thousands of rupees. To prevent such reprehensible actions, every ATM should be equipped with alarm security, CCTV cameras, and doors that automatically close once the ATM is tampered with, trapping the thief inside. The government has assured that people's deposits in banks are safe for up to 5 lakhs. The performance of the Reserve Bank of India (RBI) stands out in this regard because trust in financial facilities is crucial for their utilization. However, more work needs to be done in India to enhance the quality and safety of financial services.

According to RBI's Financial Inclusion Index, we have seen an improvement in financial facilities from 53.9% to 56.4% in 2021. This report indicates that our progress is increasing as we enhance facilities such as investment options, postal services, postal banks, and pension schemes. The initiative taken by RBI, the National Centre for Financial Education (2020-2025), is being implemented to further strengthen India's economy.

**Global Perspective on Financial Inclusion:**

Globally, countries like Denmark, Norway, and Sweden have achieved a high level of financial inclusion, with a rate of 99% and advanced technology. According to SDG 17 goals, specifically Goal 8, which aims to promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all, there is a clear emphasis on financial inclusion. Conferences such as the G20 are valuable platforms for exchanging ideas on how to extend the benefits of financial facilities to people worldwide. According to IMF news, the financial inclusion scheme implemented in Bangladesh serves as a model for others to follow.

**Way Forward for Financial Inclusion:**

- Mainstreaming women by educating them on financial inclusion
- Creating awareness of the schemes through famous celebrities
- Assisting developed countries in providing financial facilities to the least developed countries globally
- Discussing and implementing measures on investment, financial stability, security, and awareness in global conferences

- By providing employment opportunities and ensuring decent wages, individuals will be encouraged to utilize financial facilities

- Placing emphasis on increasing the purchasing power of every citizen

- When examining the fundamental rights outlined in Articles 14, 15, 19, 17, 18, 20, 21, 28, and 29, it becomes clear that they provide equal opportunities for economic inclusion to all citizens. The government should consider this and provide equal opportunities for employment and financial facilities to all. Implementing concrete measures without discrimination is necessary to ensure equal utilization

## Conclusion

India is a dynamic nation with significant challenges ahead. While remarkable progress has been made in financial inclusion, the backward classes still face barriers. By ensuring equal opportunities for all, as Dr. Ambedkar advocated, we can strengthen India's economy and improve the standard of living for everyone.

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By Ishwari Kaminvar
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# FINANCIAL INCLUSION - HOW DO WE ACHIEVE THAT?

**Introduction**

Financial inclusion refers to the provision of financial services that are easily accessible to both individuals and business, especially those who are understand or excluded from the conventional banking system. It strives to give consumers access to inexpensive and suitable financial products and services that can aid in money management, asset accumulation, and general improvement of economic well-being.

Because it can aid in reducing poverty, fostering economic growth, and fostering social development, financial inclusion is crucial. People can more effectively manage their finances, make investments in education and healthcare, launch enterprises, and deal with unforeseen financial shocks.

## Current Situation and Challenges:

- Out of the total 17, seven have been recognized as being supported by financial inclusion.
- The G20 has reiterated its dedication to implementing the G20 High-level principles for Digital Financial Inclusion and has vowed to encourage financial inclusion on a worldwide level.
- Financial inclusion has been identified by the world Bank Group as a vital means of decreasing extreme poverty and promoting shared prosperity.

**Financial inclusion faces the following five difficulties:**

- The requirement for greater financial literacy
- A lack of official ID documents
- Consumer Defence
- Gender Inequality and the Poor in Rural Areas
- Encouraging the Use of Transaction Accounts

The objective of financial inclusion is to expand the availability of essential financial services worldwide, to reach grater customer. Closing the digital divide is necessary to fully utilize the potential of the digital economy to promote inclusive growth. The developments in fintech, including electronic transactions. Assisting poor individuals in the informal economy to engage in productive activities.

- **Creating digital infrastructures that are inclusive:** Programs like India's Adhar digital ID are paving the way for access to accounts and more advanced services. It is crucial to have fast retail payments systems that use open public infrastructure to guarantee a fair playing field.

- **Introducing common standards:** As a means of promoting fair competition, many countries have adopted common standards that allow users to transfer their data across different platforms. This promotes interoperability among providers, giving consumers more choices.

- **Updating competition policies:** In the today's digital age, traditional measures of competition and antitrust tools may no longer be sufficient. For example, monopolistic behavior may now involve the acquisition of data rather than simply setting high prices. Without proper regulation, new barriers to entry and anti-competitive practices may emerge. The increasing focus on mergers and acquisitions, as well as digital gatekeepers, highlights the need for more innovative approaches to ensure that digital finance markets remain competitive and accessible.

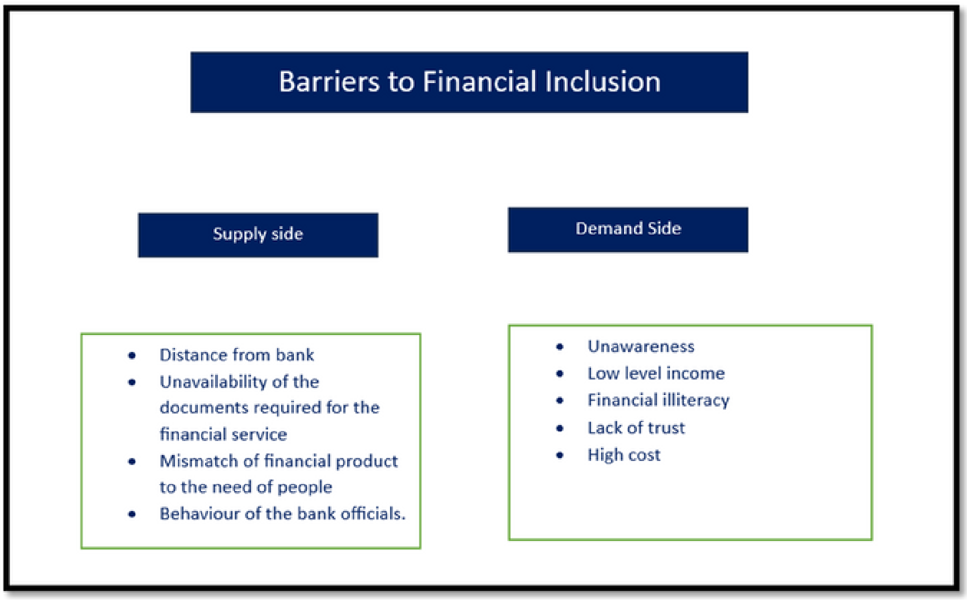
- **Strengthening data privacy:** Because the rules and regulations governing the data acquired by digital services are sometimes ill-defined, tech companies effectively have authority over sensitive data. Greater control and agency must be given to users.

- **Getting decision-makers of all stripes to collaborate:** Together with competition authorities and data privacy authorities, central banks and financial regulators must operate. Furthermore, it's conceivable that rules in one country will have an impact on consumers in another. Government can harness the advantage of digital technology and ensure that they are accessible to all by coordinating their policies within and across boarders.

## The RBI created an index to gauge financial inclusion

- To gauge financial inclusion, the Financial Inclusion Index (FI-Index) was created.

- The yearly FI-Index is increased from 43.4 for the same time in 2017 to 53.9 for the period ending in March 2021, suggesting a significant growth over the preceding four years.



the same time in 2017 to 53.9 for the period ending in March 2021, suggesting a significant growth over the preceding four years.

- The index is released each year in July.

- Various aspects of financial inclusion will be consolidated into a single score ranging from 0 to 100. A score of 0 indicates complete financial exclusion, while a score of 100 indicates complete financial inclusion.

- In order to access financial inclusion, a 97-factor will be used. This index takes into account factors such as accessibility, service availability and consumption, and service quality. It also considers the standard of financial inclusion, which is determined by factors such as financial literacy, consumer protection and inequalities and service inadequacies.

- The index will gather information on various financial services such as banking, investing, insurance, postal services and pensions to determine the level of financial inclusion.

- The FI-Index is composed of three main parameters: Access (35% weightage), usage (45% weightage) and quality (20% weightage). Each of these parameters has several aspects that are calculated using a variety of indicators.

- Since there is no base year, the index represents the collective efforts of all stakeholders over time to achieve financial inclusion.

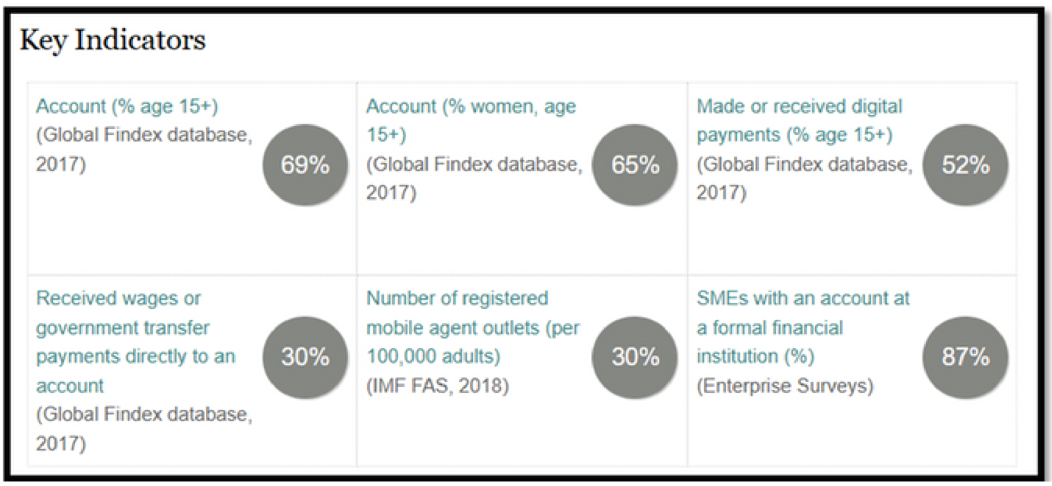
## Financial literacy and expertise

Building financial knowledge and skills is the first step in financial literacy programmes' goal of giving people the information, abilities, and understanding they need to make wise financial decisions. By increasing their financial literacy, people are better able to understand the financial system, evaluate their financial needs, and make decisions that are in line with their aspirations.

- **Empowering People:** Financial literacy enables people to take charge of their money and make wise financial decisions. It assists people in understanding the effects of their financial decisions, avoiding financial hazards, and making future plans. People who are financially literate are better able to defend themselves from fraud and abuse, make wise decisions, and negotiate better terms for financial services.

- **Making Financial Services More Accessible:** Financial education is essential for closing the knowledge gap that may prevent people from using financial services. It aids people in comprehending how banking systems operate, what financial services and products are offered, and how to go about opening accounts, submitting loan applications, or applying for insurance.

- **Fostering Confidence and Trust:** Financial



literacy boosts people's confidence in handling money-related issues and communicating with financial institutions. They gain the ability to make informed inquiries, request clarification, and exercise their consumer rights. As people are more inclined to interact with financial service providers and consider possibilities, this elevated confidence may help remove the obstacles to financial inclusion.

- **Taking into Account Cultural and Social aspects:** Financial literacy programmes can be made to take into account particular cultural and social aspects that may have an impact on financial behaviour and access to financial services. They can offer specialised education on subjects like conventional financial practises, community-based financial institutions, or culturally suitable savings techniques.

**Outlook for Financial Inclusion in the Future:**

In the future, financial inclusion initiatives will focus on providing more personalized formal financial services. This will involve the increased use of digital platforms, making a wide range of financial services easily accessible from a single location. To promote financial inclusion, there will be a shift from account numbers to cell phone numbers. Additionally, we can expect to see more women achieving financial independence and empowerment. The government will also become more directly involved in providing basic financial services to those in need. Finally, we can anticipate fresh financial innovations that reduce transaction costs over time.

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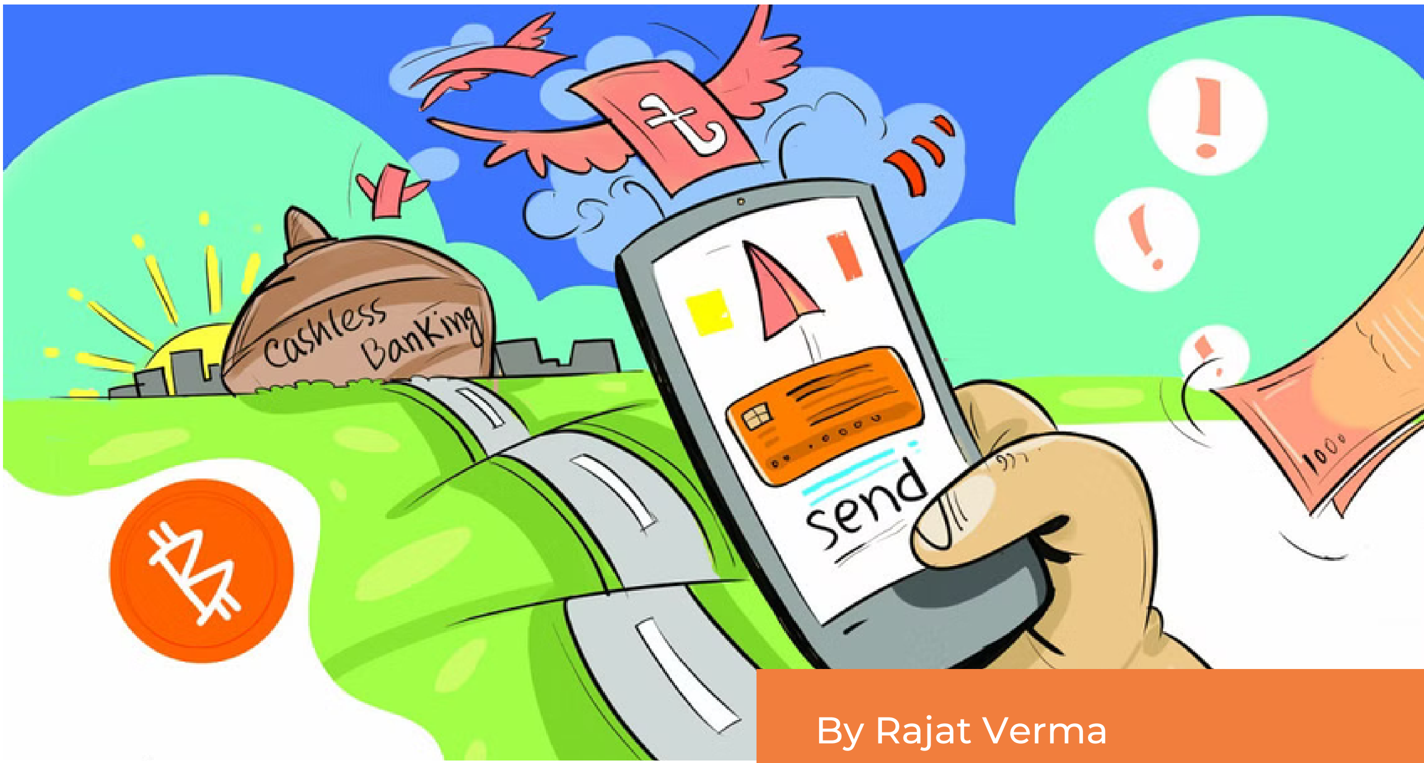


By Rajat Verma
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# BREAKING BARRIERS, UNLOCKING OPPORTUNITIES: HOW BANKS AND BROKING FIRMS CATALYZED FINANCIAL INCLUSION IN INDIA

We all are aware of the intensive and widely successful financial inclusion mission carried out by the Government of India and other commercial and public sector banks like ICICI, HDFC, AXIS, SBI, etc. to provide basic banking services like Banking/ Savings & Deposit Accounts, FDs, Credit, Insurance, Pension, etc. to millions of unbanked and underbanked individuals and businesses situated in remote parts of the country.

Success of the above-mentioned campaign of basic banking services often causes us to overlook the another financial inclusion done by independent broking firms and commercial banks across India by providing multiple retail investment options through their platforms and other online trading facilities.

The online trading in India commenced after January 31st 2000 when the report on internet trading, brought out by a SEBI Committee for Internet Based Trading and Services, was approved by the Securities & Exchange Board of India (SEBI).

This progressive step enabled investors to trade using internet as a medium, through brokers' internet trading systems. Now investors can participate in trading from sitting in any part of the country. As a direct result of this monumental move, an increasing number of retail investors from across the country started to be a part of capital markets.

Commercial and public sector banks did not miss this valuable opportunity and started onboarding their existing clients and new customers onto their respective investment platforms. Through intensive selling of their Demat/Trading accounts and other investment products (Mutual Funds, ETFs, etc.), the banks introduced millions of Indians to the complex and high risk – high return capital market. Banks, broking firms and educational institutions also created financial literacy among the Indian masses through the introduction of various courses which were meticulously designed to teach the complexity, functionality and benefits of capital markets.

The National Institute of Securities Markets

(NISM), a public trust established in 2006 by the Securities and Exchange Board of India (SEBI), is a wonderful example of the attempt to educate the people of India about different investment dynamics.

A decade later, as the internet transformed from being a luxury to a household thing and with the advent of smartphones, the retail investors practically started carrying their portfolios into their pockets. This further accelerated the financial inclusion and more and more individuals from all ages started investing in different markets and investment products.

The independent broking firm like Zerodha, Groww, Upstox, IIFL Securities, etc. challenged the investment services of already established commercial banks like ICICI, HDFC, AXIS, Kotak, etc. on the parameters of broking charges, user-friendly interface of Apps, annual maintenance charges (AMC) of Demat and Trading A/cs, research and analysis tools and many other parameters. Today these broking firms and banks as a whole, provide multiple and complex investment options ranging from Equity to Debt instruments, Mutual funds to Exchange traded funds (ETFs), Commodity market to Forex market and many more. Derivative instruments are also safely and securely traded across almost all the major platforms. The investors today can efficiently choose suitable elements in their portfolios in accordance with their financial goals, risk appetite, time horizon, expertise, features, and cost.The dramatic rise in Demat and Trading accounts over the years could be a good testimony of how efficiently this financial inclusion drive has worked over the years. But let us first understand what Demat and Trading accounts really are.

A Demat account is a type of account that holds securities in electronic form. The term "demat" stands for "dematerialized," which means that the securities are not held in physical form, such as a share certificate. Instead, they are held in a depository in electronic form.

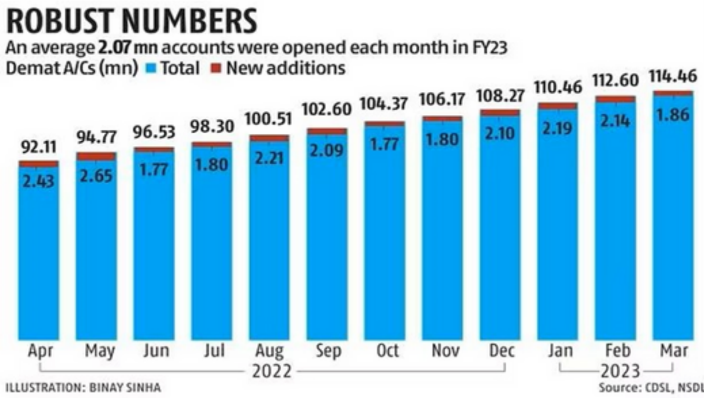
A Demat account is required to trade securities in India. It is also used to hold other types of investments, such as mutual funds, bonds, debentures, ETFs etc. A Trading account on the other hand allows individuals to buy and sell the securities. You need to have both Trading and Demat to trade in securities in India.

For your better understanding, let me simplify this for you:

**Trading Account:** Buys and sells securities.

**Demat Account:** Stores those securities online.

Now let us look at the rise in Demat accounts in FY23.




This graph which I took from a Business Standard news article, vividly illustrates how the number of Demat accounts in India has increased on a constant rate in FY2022 – 2023. By the end of the last quarter, the total number of Demat accounts in India reached close to 115 million. Although these increasing figures of Demat account openings alone cannot be the proper representative of the increasing number of people onboarding the bus of retail investment, these are certainly an indication that the financial inclusion campaign has worked very efficiently.

The financial inclusion that we discussed in this article has shifted the individuals (especially from tier II, tier III cities and rural areas) from traditional low risk – low return investments such as gold, FDs, real estate, etc. to much more complex, volatile, relatively liquid, and high risk - high return capital market.

This flood of investors that financial inclusion has brought to the market over the years, has ensured that there is liquidity available at any given point of time. It also has ensured that there is easy availability of funds for the issuers.

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By Sagar Jethani
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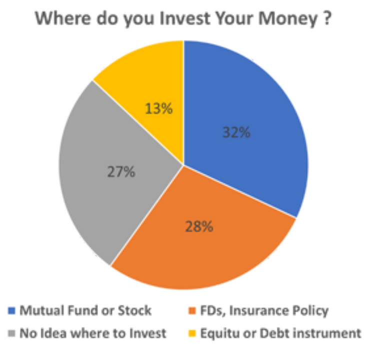
# UNLOCKING FINANCIAL FREEDOM: INTRODUCTION TO THE ART OF FINANCIAL PLANNING

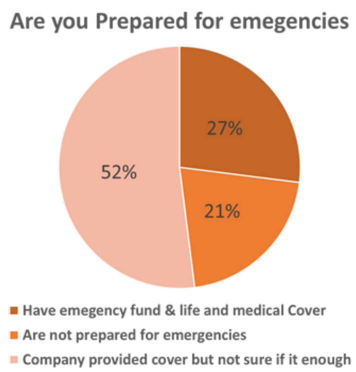
## Introduction

Having a job or a business through which you can potentially earn lakhs of rupees can be considered financial freedom. If this is your definition of financial freedom then remember this quote by Robert T. Kiyosaki, American entrepreneur and author, **"It's not how much money you make, but how much money you keep, how hard it works for you, and how many generations you keep it for."**

In a survey conducted by Finsafe, a financial education company in 2022 it was found that out of 5769 responses: -




It is vividly evident from the given figures that 27% of the respondents don't know where to invest their money and 21% of them are not prepared for emergencies. Also, when they were asked which topic will you be interested to understand more 74% of respondents said they want to learn financial planning and achieve financial freedom.




This article explores the art of holistic financial planning as a pathway to unlock financial freedom. First, let us understand what is financial freedom, Financial Freedom is a situation in which the individual does not have to worry about financial stress or limitation, it is the ability to meet one's financial goal and live desired life. Financial freedom is beyond having a high income or accumulation of wealth; it involves achieving a balance between income, expenses, savings, and investments.

### Goal Setting Process

The financial planning process starts with the goal-setting process. Goals refer to what has to be achieved. It is necessary to set SMART goals. There should be some specific detail concerning the goal.

**S -** For example, saying that I want to be rich is a vague term saying that I want to earn an income of Rs. 50 lakh a year is specific.

**M -** The goals have to be measurable so that a person knows the exact amount that will help them reach the goal.

**A –** If the individual wants to earn 20% of returns on investment without taking any risk, then the goal becomes unachievable.

**R-** If an individual can save around Rs 20,000 a month, then a goal that requires an investment of Rs 50,000 a month is not realistic.

**T-** A goal of wanting to retire in 20 years with Rs 5 crore as the corpus is clear because there is a time period attached.

### Types of Financial Planning

- **Insurance Planning:** Insurance is a risk transfer mechanism in which a small premium payment may result in a payment from an insurance company to cover the risk of unforeseen events. Life insurance products may cover temporary loss of income due to disability as well as permanent loss of income caused by death. Help to deal with unforeseen circumstances which may impact household income and increase the cost of healthcare or recovery will be covered by health and accident insurance. General insurance provides covers for loss and damage to property from fire, theft, and such events.

- **Investment planning:** Funds for household financial objectives are an essential component of financial planning and advice. The investment planning process involves considering the household's ability to save, and deciding what kind of assets it should be investing in. Investment planning shall take into account of the purpose or financing objective for which funds are to be invested. These objectives may take the form of purchasing a vehicle, going on vacation, buying gifts or financing family celebrations in short and long term.

- **Tax Planning:** Earnings are liable to taxation, and the capacity for an individual to save, the yield derived from their investments, and consequently the fund they can amass for their future objectives, are all influenced by the tax framework applicable to them. Distinctions exist in how various forms of investment earnings, like dividends, rents, and interest, are subject to taxation.

- **Retirement Planning:** One of the main objective people must have in mind is retirement planning. In view of the complexity and nature of well-being in the future, many people tend to ignore it until it is too late, thereby compromising the quality of retirement.

- **Estate Planning:** Over generations, wealth is passed down. It is not only the legal aspects of entitlement under personal law that are involved in this process of intergenerational transfer, but also the documentation and documentation processes that allow a smooth transfer of wealth in a tax-efficient way. All the actions involved in transferring assets to heirs, charitable organizations, and other beneficiaries are referred to as estate planning.

- **Contingency Planning:** An emergency reserve is the first objective that a household or an individual should be saving to protect themselves from any loss or reduction of income. If regular income is not available, the reserve should be sufficient to cover expenses for six months.

## Why is investing better than saving?

The future of an investor relies on their investment choices, acting as a bridge between their aspirations and reality.

Several benefits of investing are outlined below:

- **Fulfilling financial goals:** Investments serve as a means to achieve financial objectives, be it purchasing a home, a car, funding children's education or weddings, or securing retirement. Optimal utilization of your funds through investment is the most effective approach for realizing long-term goals.

- **Combating inflation:** Investing money is also a strategy to outpace inflation. Opting not to invest and keeping funds in a standard savings account may lead to decreased purchasing power over time due to inflation. Thus, it is prudent to invest in financial instruments capable of providing returns that surpass inflation, safeguarding the value of your funds.

- **Attaining substantial returns:** Investment avenues like stocks or mutual funds can yield considerably higher returns compared to savings accounts or fixed deposits in banks.

## Different Types of Investment

- **Mutual Fund Investment:** Mutual funds are an investment vehicle that pools money from different investors to invest in securities such as stocks (equities), bonds, commodities, etc. Investors have the option to invest in mutual funds using either the Systematic Investment Plan (SIP) or the lump sum method.

- **Stocks:** Stocks are widely recognized as a prevalent and growth-focused approach to generating returns. When you buy a specific stock, you acquire a fractional ownership stake in a company traded publicly, entitling you to a share of the profits in the form of dividends.

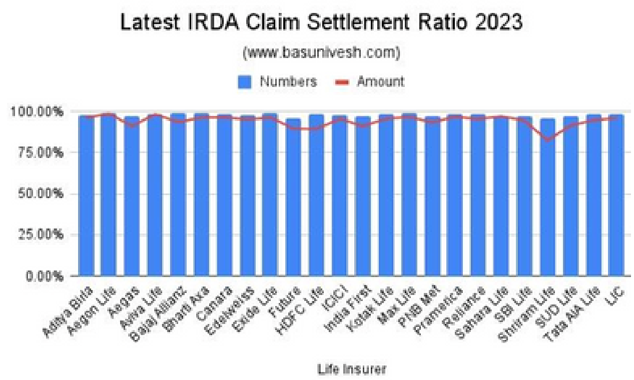

On an average every year nifty 50 is providing a return of 13.74%.

- **Bonds:** A bond is a debt instrument that represents loans given to companies or governments by investors, also known as fixed-income securities. You will allow the issuer of the bond to issue you a fixed interest rate in exchange for the use of your capital when you buy the bond. Bonds are defined as treasury bills, municipal bonds, company bonds, government securities and so on.

- **Retirement Planning:** Two important aspects of financial planning are saving for retirement and taking care of that income once you're retired. Investors have several retirement plans at their disposal. Some of the most common investment options for retirement planning are Senior Citizens Savings Scheme (SCSS), National Pension System (NPS), Public Provident Fund (PPF), bank fixed deposits, etc

- **Real Estate Investment:** For many sectors such as hospitality, retail, commercial accommodation, manufacturing, and others the real estate sector has huge potential. Investors are able to make significant profits on their investments by investing in commercial and residential property, or even real estate mutual funds. Timing is the key factor when you consider investing in property.

| CITY | CAGR RETURN FOR 8.5 YEAR |
|---|---|
| DELHI | 16.29% |
| BANGALORE | 7.27% |
| MUMBAI | 15.18% |
| BHOPAL | 16.32% |
| KOLKATA | 16.89% |
| INDIA | 14.29 |



### Alternative Way to Ensure Financial Freedom

Finding a trusted investment advisor who aligns with your goals and values is essential for successful financial planning. They will provide personalized guidance, foster trust, and transparency, and help you navigate financial decisions that align with your values. This partnership ensures a strong foundation for achieving your financial goals and brings peace of mind as you work towards financial freedom. An investment advisor can be found at banks, NBFCs, and stock brokerages.

### Conclusion

Financial freedom is attainable through the art and science of holistic financial planning. By adopting a comprehensive approach to managing finances, individuals can take control of their money, build wealth, and create a solid foundation for a secure and fulfilling future. It requires discipline, mindful decision-making, and a commitment to long-term goals. With the right strategies, guidance, and perseverance, anyone can unlock the doors to financial freedom and enjoy the peace of mind that comes with financial independence.

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# BUILDING RESILIENCE: THE ROLE OF FINANCIAL INCLUSION IN INSURANCE

## Introduction

Access to financial services is a critical component for economic empowerment and social development in today's world for any country. However, a sizable segment of the global population is still excluded from traditional financial systems, particularly in the insurance sector. Financial inclusion in insurance is a critical component attaining equitability and sustainable growth by providing all persons with affordable and suitable insurance products. This article addresses the importance of financial inclusion in insurance, issues and potential solutions that could help to bridge the gap and empower the underserved. Financial inclusion in insurance refers to individuals and communities' access to and use of insur ance products and services, particularly those who are economically marginalized or socially excluded.

It means providing persons with limited resources, low income, or no access to standard financial services with inexpensive, personalised, and appropriate insurance solutions.

Financially inclusive insurance practices seek to shield economically disadvantaged individuals from risk, promote resilience, and contribute to overall economic stability and social growth. Currently, as per reports India has a 92 % protection gap which means from every Rs.100 that the Indian families need to protect themselves, they have only Rs.8 of savings and protection. In the absence of government backed security, especially for the lower income earning groups and the middle class, there is a need for an efficient ecosystem where people can transfer their risks using mechanisms like insurance.

Indian insurance industry has embraced technology advancement in the recent times with the usage of blockchain, AI (Artificial Intelligence), ML (Machine Learning), IOT (Internet-Of-Things) and other technological tools to enhance the user experience and to operate in an error free manner. Considering Life Insurance, which holds almost (75%) of the total market followed by Health Insurance and Motor

Insurance. Life insurance coverage amongst Indians is relatively low (3%) of the total population which consist of (55%) them being under the working age of 20-59 years. Hence keeping the above fact in thought firms and government should promote financial inclusion in the insurance sector to increase the penetration of various insurance products which would benefit the end customer.

### The Importance of Financial Inclusion in Insurance:

- **Risk Mitigation and Security:** Financially inclusive insurance enables individuals to safeguard themselves against unforeseen events, such as natural disasters, health emergencies, and accidents. By providing a safety net, insurance coverage helps mitigate risks and prevents vulnerable populations from falling into cycles of poverty due to unexpected financial shocks.

- **Economic Empowerment**: Access to insurance services can enhance the financial well-being of individuals and households. Insurance coverage provides a sense of security, enabling people to make long-term financial plans, invest in businesses, and pursue education or other opportunities, thus promoting economic growth and social mobility.

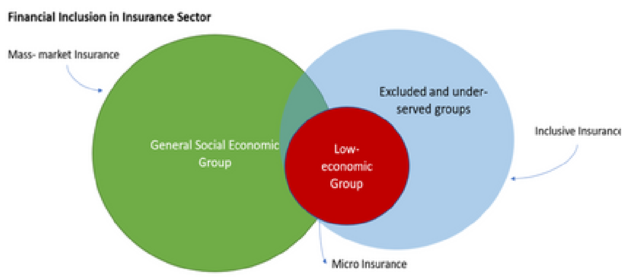
- **Social Stability and Resilience:** Financial inclusion in insurance contributes to societal stability and resilience by reducing the socio-economic disparities caused by unpredictable events. When communities are equipped with insurance protection, they are better prepared to recover from setbacks and rebuild their lives, fostering social cohesion and reducing inequality.

### Promoting Financial Inclusion in Insurance:

- Stakeholder collaboration: Governments, insurance companies, non- profit organizations, and other stakeholders should work together to promote inclusive policies and regulatory frameworks that enable insurance coverage expansion Public- private collaborations can be critical in in fostering a climate conducive to financial inclusion.

- **Technology and Innovation:** Leveraging technology, particularly mobile and digital platforms, has the potential to completely transform the insurance market. Remote access to insurance services, reduced operational expenses, and efficient claims processing are all enabled by digital technologies, making insurance more accessible and inexpensive for underprivileged people technologies making insurance more accessible and inexpensive for underprivileged people.

- **Customized Solutions :** Insurance companies must provide products that are suited to the demands and risks that exist in particular communities. Understanding the target populations cultural, social and economical background allows insurers to build solutions that resonates with the beneficiaries, resulting in increased adoption and usage.




Hence keeping the above stated facts insurance firms and government should promote financial inclusion in the insurance sector to increase the penetration of various insurance products which would benefit the end customer.

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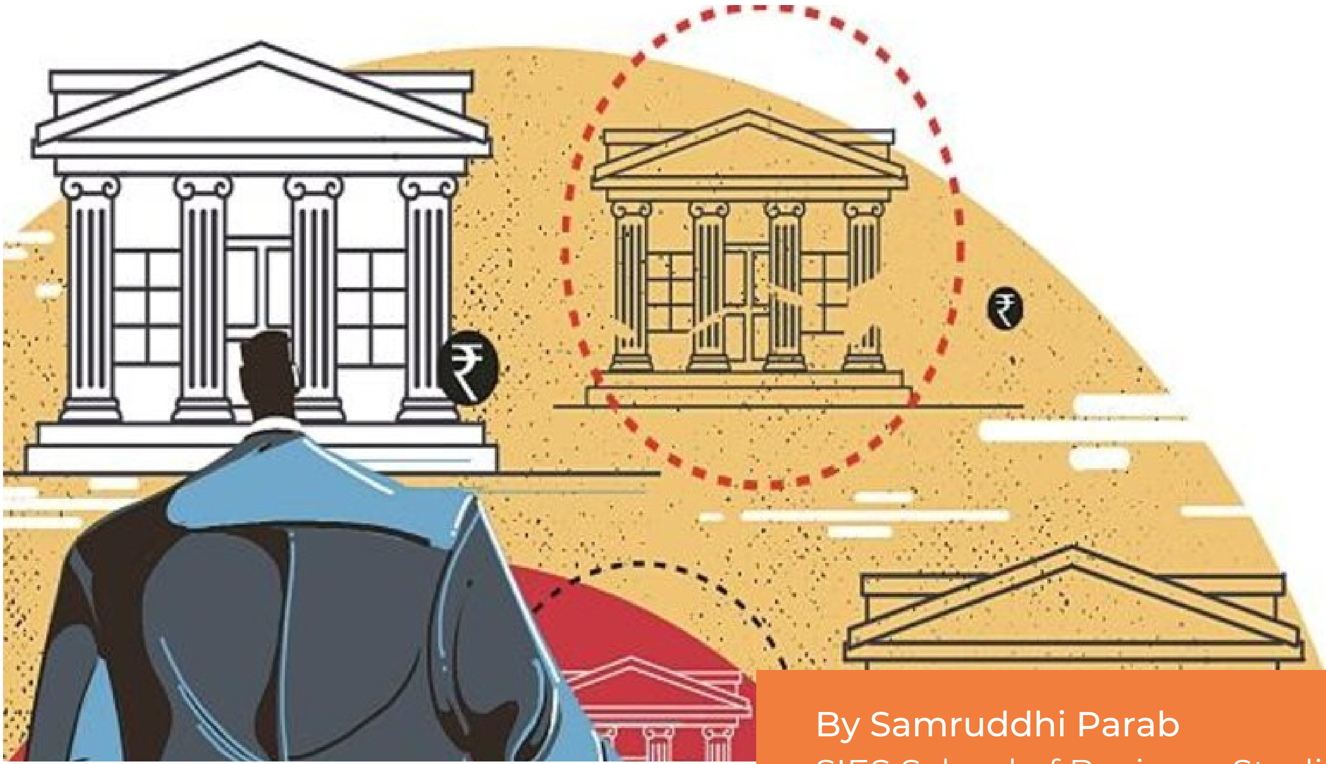

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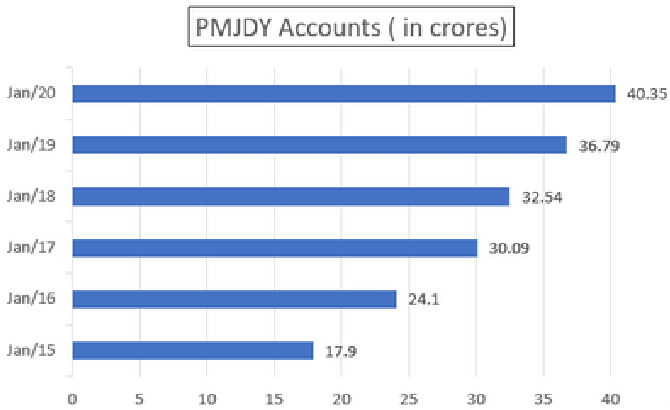
# THE ROLE OF GOVERNMENT AND THE PRIVATE SECTOR IN ADVANCING FINANCIAL INCLUSION IN INDIA

## Introduction

The notion of financial inclusion was initially introduced in India in 2005 by the Reserve Bank of India (RBI) with the aim of providing financial services to the significant population that had previously been undeserved. The goal was to tap into the growth potential of the country.
Financial inclusion is the accessibility and availability of essential financial services to all individuals without any bias, it plays a crucial role in promoting economic growth and reducing poverty.

It encompasses access to banking, credit, insurance, loan, and other financial services that empower individuals to manage their finances effectively and builds the concept of savings among the poor,it is a major step towards inclusive growth and helps in the overall economic development of the underprivileged population. This article delves into the introduction to financial inclusion, and housing loan financial service industry. The inception of the National Mission for Financial Inclusion (NMFI), known as Pradhan Mantri Jan Dhan Yojana (PMJDY), was undertaken by the Government in August 2014. The objective was to extend universal banking services to every household that lacked access to banking facilities, its success starting from August 28, 2014, is evident in the form of the establishment of more than 46 crore bank accounts, encompassing a deposit balance of ₹1.74 lakh crore.



This expansion covers 67% of rural or semi-urban regions and also includes 56% of women account holders in the Jan Dhan initiative. The chart given by faceless compliance shows year-on-year growth in the accounts opened under the PMJDY scheme.

In addition to PMJDY, there exist various financial inclusion initiatives in India, such as Jeevan Suraksha Bandhan Yojana, Pradhan Mantri Vaya Vandana Yojana, and the Venture Capital Fund for Scheduled Castes. Other examples include the Atal Pension Yojana (APY) and Sukanya Samriddhi Yojana.

**The motto of financial inclusion is Jandhan to Jan Suraksha**

To track the progress of these schemes and the overall development of FI in the economy RBI has its own financial inclusion index.

The index monitors the effectiveness of providing financial services to the unbanked populace of the nation. It spans from 0 to 100, signifying complete financial exclusion at 0 and absolute financial inclusion at 100. The Reserve Bank of India (RBI) oversees 97 indicators, which are categorized into three sub-indices: access, usage, and equality. These are assigned weights of 35, 45, and 20 correspondingly, without altering the core significance of the paragraph.

In 2020,India scored 53.9 /100 in the RBI index and 56.4 in 2022.

India has come a long way after its independence in terms of FI, however, the score of 53.9 out of 100 in the FI index underlies the fact that there is still a long way to go.

To understand this in a micro sense, let's analyse the home loan business in the FI market, its pros, & shortcomings from the perspective of the business. Broadly there are three types of markets, namely Emerging markets (EM), Developed markets (DM), and FI. The market capitalization of this industry consists of Government & private Banks as well as Private Firms which are known as NBFCs (Non-bank financial companies), some of the biggest players in the industry are HDFC Bank, TATA Capital Housing Finance Limited, LIC Housing Finance, etc. All of them have their presence in all of the three markets, but they majorly . dominate the developed market Aptus, Aadhar Housing Finance, Aavas Financiers, etc are some of the NBFCs which specifically target the FI market.

| APTUS VALUE HOUSING FINANCE (₹ in billion | |
|---|---|
| AUM | 4070 |
| NIM% | 9.72% |
| Yield on Advance % | 16.98 |
| GNPA % | 0.70% |
| ROA% | 5.73% |
| ROE% | 12.23% |

| TATA CAPITAL HOUSING FINANCE (₹ in crore) | |
|---|---|
| AUM | 26888 |
| NIM% | 10.00% |
| Yield on Advance % | 24.22% |
| GNPA % | 1.60% |
| ROA% | 10.34% |
| ROE% | 15.72% |

All of these Banks & NBFCs are regulated by the National Housing Bank (NHB) which is a subset of RBI. Taking APTUS value housing finance and TATA Capital housing finance into consideration let's dig deep into some of the problems of the FI market in comparison with a developed market.

Aptus is a rural-focused housing finance company started in the year 2011 primarily serving low- and middle-income group customers in the rural and semi-urban markets with the largest branch network in the southern regions of India. TATA Capital Housing Finance Limited is a subsidiary of TATA Capital Limited, a renowned financial services company in India which started in 2007 it caters every segment of the individual.

Comparing Table 1 (ICICI direct research) & table 2 (TCHFL annual report) it can be observed there is a huge difference between the AUM of both the housing finance entities, a major reason for it is the type of population in the rural & urban regions the difference in a demand, and the income of the household. Many individuals in rural areas may not fully understand the products and services offered by NBFCs, making it difficult for these institutions to reach and educate potential customers. This can pose challenges for NBFCs in terms of accessing reliable communication networks, conducting transactions effectively, and setting up branches.

Even though these NBFCs have a spread in the FI market, there is still risk due to various factors such as the ticket size of the consumer being small because the borrowing capacity, as well as the requirement of funds, is minimal according to the Hindu business line the average ticket size is 42 lakh in the urban region and 72 thousand in rural, cost to source the deal or the customer acquisition cost is high and NBFCs require proper documentation and collateral to assess the creditworthiness of borrowers, individuals often lack formal documentation and may not possess the necessary assets or property for collateral, irregular income, cash flow patterns for individuals in rural areas.

The NHB has introduced schemes for affordable home loans, one of them is named as affordable housing fund (AHF) it aims to provide financial assistance to the group of individuals having less than 6,00,000 annual income in a metro city and 3,00,000 in the non-metro city. The rate of interest charged on the funds given to NBFCs by NHB is less (5.2%) under this scheme whereas the market interest rate is more (8%). Since the interest rate at which the funds are borrowed is less and the interest charged on the disbursed funds is high the NIM of such contracts is more which leads to substantial profit for the business. Overall, the average concession of 25 bps is given to the NBFCs under the concessions under RRF schemes to push them to grow their business in the FI & EM markets.

NHB has also encouraged women borrowers by introducing a women borrower scheme. To be more financially inclusive a notice was circulated on 27th Dec 2022 by NITI AAYOG under which NBFCs can enjoy a 1% less rate of interest if they capture the cities which were stated by them the main intention of this was to make the NBFCs target these rural cities.

It can be understood that even though the infrastructure, and financial literacy is not at its best in the FI market the banks and the NBFCs still try to aggressively capture this market due to the substantial gain they enjoy.

Lastly, we should emphasize the need for collaborative efforts from governments, financial institutions, and the private sector to advance financial inclusion. By cultivating partnerships, implementing targeted initiatives, and leveraging digital technologies, we can work towards creating a more inclusive financial system that benefits individuals and communities at all levels of society. In conclusion, financial inclusion is a fundamental pillar of sustainable development. By ensuring that everyone has access to appropriate financial services, we can promote economic growth, reduce poverty, and create a more equitable society. Embracing financial inclusion as a priority will contribute to the overall well-being and prosperity of individuals and communities worldwide.

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# FINTECH: REVOLUTIONIZING FINANCIAL INCLUSION AND ADVANCING ECONOMIC GROWTH

## Introduction

Financial inclusion refers to the availability and accessibility of financial services to individuals and businesses, particularly those who are unbanked or underbanked. Financial inclusion is critical for promoting economic growth, reducing poverty, and improving overall financial stability.

Financial technology, or fintech, refers to the use of technology to deliver financial services and products. Fintech has emerged as a powerful tool for advancing financial inclusion, particularly in developing countries where traditional financial services are often inaccessible. Fintech innovations have the potential to address infrastructure gaps, promote digital literacy, create an enabling regulatory environment, ensure trust and security, and support the financial sustainability of fintech companies.

In this discussion, we will explore the role of fintech in advancing financial inclusion, examples of fintech innovations for financial inclusion, challenges to fintech adoption, and the future of fintech in financial inclusion.

## The Impact of Fintech on Financial Inclusion

Fintech is advancing financial inclusion by leveraging technology to address barriers to financial access and improve the efficiency and accessibility of financial services. Here are some ways in which fintech is making an impact:

- **Mobile Banking and Payment Systems:** It allow consumers to access financial services and perform transactions on their phones, which is significant in places with few bank branches or ATMs. Mobile money accounts enable saving, sending and receiving payments, and credit and insurance services.

- **Digital credit scoring:** Fintech companies are utilizing social media and cell phone data to establish credit ratings for those without credit histories, allowing them to access credit and other financial services.

- **Blockchain-based payment systems:** Blockchain technology allows for secure and transparent transactions without the need for intermediaries. This can reduce the cost and time associated with traditional financial transactions and make financial services more accessible to underserved populations.

- **Peer-to-peer lending platforms:** Peer-to-peer lending platforms connect lenders and borrowers directly, bypassing traditional financial institutions and making loans more affordable for those who may not fulfil typical lending criteria.

- **Digital savings and investment platforms**: Fintech companies are creating digital platforms to help low-income people save and invest. These platforms have cheaper costs and minimum investments than traditional investment options.

Financial inclusion remains difficult despite fintech's advances. As of 2021, Global Findex estimates that 1.7 billion adults are unbanked. Fintech could boost financial inclusion, especially in locations where traditional banking services are scarce. Fintech can boost economic growth, poverty reduction, and financial stability by delivering financial services to unbanked and underbanked people.

Thus, politicians, financial institutions, and fintech startups must collaborate to establish an atmosphere that fosters fintech innovation.

## Examples of Fintech Innovations for Financial Inclusion

- **Mobile Banking and Payment Systems**: Mobile banking services allow people to access financial services using their mobile phones, even in areas without traditional banking infrastructure. For example, M-PESA is a mobile money service that allows people in Kenya to send and receive money using their mobile phones.

- Digital Credit Scoring: Fintech companies are using alternative data sources and innovative credit-scoring models to assess creditworthiness, including for people who have limited or no credit history. For example, Tala is a digital lending platform that uses alternative data sources such as mobile phone usage and social media activity to assess creditworthiness.

- **Blockchain-based Payment Systems:** Blockchain technology allows for the creation of decentralized and tamper-proof ledgers, which can be used to create secure and transparent payment systems. For example, BitPesa is a blockchain-based payment platform that enables cross-border payments between African countries.

- **Peer-to-Peer Lending Platforms:** Peer-to-peer lending platforms connect borrowers directly with lenders, bypassing banks and providing finance to people who may not qualify for conventional loans. For example, Kiva is a a peer-to-peer lending platform that provides microloans to entrepreneurs in developing countries.

- **Digital Savings and Investment Platforms:** Fintech businesses are offering digital savings and investing platforms that allow users to save and invest on their phones or computers, providing financial alternatives to those who may not have access to traditional investment services. For example, Piggyvest is a digital savings platform that allows Nigerians to save and invest using their mobile phones.

## Challenges to Fintech Adoption in Advancing Financial Inclusion

While fintech innovations have the potential to advance financial inclusion, there are also several challenges to their adoption, including:

- **Lack of Access to Technology:** Fintech innovations require access to technology, such as smartphones or computers, which may be unavailable or unaffordable for many people in developing countries.

- **Digital Literacy:** Fintech innovations often require a level of digital literacy that may be lacking among unbanked and underbanked populations. This can limit their ability to access and use fintech services effectively.

- **Regulatory Environment:** Fintech innovations may face regulatory challenges in certain countries, which ·can limit their adoption and growth. For example, some countries have strict regulations on digital payments or require fintech companies to partner with traditional banks an limit their adoption and growth. For example, some countries have strict regulations on digital payments or require fintech companies to partner with traditional banks.

- **Trust and Security:** Fintech innovations require trust and security to be adopted by users. Many people may be hesitant to use fintech services if they are not confident in their security or if they have had negative experiences with financial scams or fraud.

- Financial Sustainability: Fintech companies need to be financially sustainable in order to scale their services and reach more people. This can be challenging, especially in low-income markets where there may be limited revenue streams or low profit margins.

These challenges show that fintech must address infrastructure gaps, promote digital literacy, create an enabling regulatory environment, ensure trust and security, and support fintech company financial sustainability. We can use fintech to increase financial inclusion and reduce poverty by tackling these obstacles.

**The Future of Fintech in Financial Inclusion**

The future of fintech in advancing financial inclusion looks promising. Here are some predictions and opportunities for fintech:

**Increased Adoption of Fintech:** As technology becomes more accessible and affordable, we can expect to see increased adoption of fintech services, particularly in developing countries. This ·will enable greater financial inclusion and promote economic growth

- **Emergence of New Fintech Solutions:** Fintech startups will continue to innovate and develop new solutions to address the specific needs of unbanked and underbanked populations. This will create new opportunities for financial inclusion and enable greater access to credit, savings, and other financial services.

- **Expansion of Partnerships:** Traditional financial institutions will increasingly partner with fintech startups to expand their reach and enhance their offerings. This will enable greater access to financial services for underserved populations and promote greater financial inclusion.

- **Advancements in Blockchain and Cryptocurrency:** It have the potential to revolutionize the financial services industry by providing secure, transparent, and low-cost payment systems. This will enable greater financial inclusion and promote economic growth, particularly in developing countries.

- **Integration of Artificial Intelligence:** Artificial intelligence has the potential to improve financial decision-making and provide personalized financial advice to underserved populations. This will enable greater financial literacy and promote greater financial inclusion.

Overall, Fintech has the ability to change the financial services industry and increase financial inclusion. Fintech businesses can meet disadvantaged groups' demands and boost financial inclusion and economic growth by using technology and creativity. Fintech firms may reach more people and create a more inclusive and sustainable financial ecosystem by partnering with traditional financial institutions.

## Conclusion

Fintech is a great tool for financial inclusion, especially in developing countries where traditional banking services are scarce. Fintech innovations can improve infrastructure, digital literacy, regulatory environments, trust and security, and fintech organizations' financial viability. Fintech firms can enhance financial inclusion and economic growth through partnerships with established financial institutions and technology.

Fintech has huge potential to boost economic growth in the future. Fintech technologies can enable underrepresented entrepreneurs, investors, and financial empowerment. Fintech services will improve financial inclusion and economic growth as technology becomes more affordable and accessible. Fintech might build a more equitable and sustainable financial environment where everyone has access to financial tools and services.

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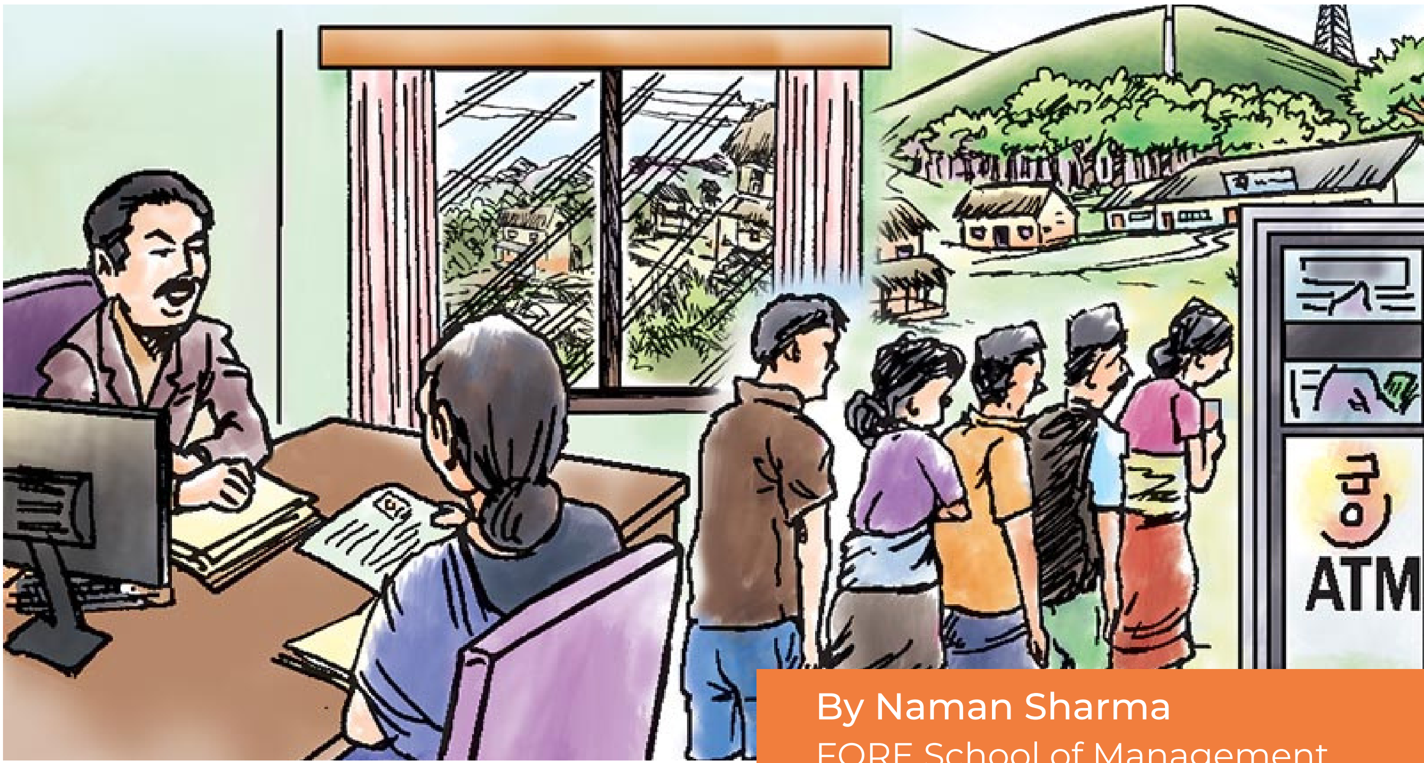


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# THE POWER OF INCLUSION: TRANSFORMING LIVES THROUGH FINANCIAL ACCESS

## Introduction

The practise of ensuring vulnerable populations have access to financial services and timely, enough finance when needed at a fair cost is known as financial inclusion. For a country as diverse as India to grow, financial inclusion is essential. Since the country's independence, the efforts of its society and various administrative and regulatory bodies have contributed to widening the country's financial inclusion net.

The level of financial inclusion has greatly increased. The poorest of the poor have not yet benefited from financial inclusion, and there are still issues that need to be fixed right away. The need to reach out to the unbanked people and bring them into the financial system is therefore great, and there is also a fantastic chance to do so.

## Initiatives for Financial Inclusion

- **Trinity of Jan Dhan-Aadhar-Mobile (JAM):** The way citizens access government services have changed as a result of Aadhaar, PMJDY, and a rise in mobile connectivity. The overall number of Jan Dhan scheme recipients is estimated to be around 380 million as of March 2020. By facilitating greater access to financial inclusion, Aadhaar has developed a system that is secure and simple to verify. The administration has also launched a number of key initiatives to advance financial inclusion and provide the nation's poor and unbanked residents more influence. Stand-Up India Scheme, Pradhan Mantri Jeevan Jyoti, and Pradhan Mantri Mudra Yojana Pradhan Mantri Suraksha and the Bima Yojana Among these are the Atal Pension Yojana and the Bima Yojana.

- **Financial services expansion in rural and semi-urban areas:** The RBI and NABARD have launched programmes to encourage the inclusion of the rural population. These include the establishment of bank branches in outlying areas. Kisan Credit Cards (KCC) are issued, Self-help groups (SHGs) are linked with banks and increasing the number of ATMs Banking correspondents' model.

- **Digital Payments Promotion:** After the NPCI enhanced UPI, digital payments are now safer than they were. An Aadhar-enabled bank account (AEBA) may be used everywhere and at any time using micro-ATMs thanks to the Aadhar-enabled payment system (AEPS). Due to offline transaction-enabling platforms like Unstructured Supplementary Service Data (USSD), which enable individuals to use mobile banking services even on basic mobile handsets without internet, payment systems have become more accessible.

- **Improving Financial Literacy:** Reserve Bank of India started a project called "Project Financial Literacy". The project's objective is to enlighten a variety of target audiences, including school-age and college-aged children, women, the rural and urban poor, members of the armed forces, and older people, about the central bank and general banking principles.

- The Securities and Exchange Board of India (SEBI) and the National Institute of Securities Markets (NISM) flagship campaign, Pocket Money, aims to increase schoolchildren's financial literacy. The objective is to teach students the value of money as well as the advantages of financial planning, investing, and saving.

## Financial Inclusion: A Case Study

- **Improved bank access:** 80% of Indian adults now have bank accounts, up from 53% in 2014, according to the World Bank's Global Findex study from 2017.77% of Indian women, up from 43% in 2014, hold bank accounts, according to the Findex 2017 survey.

- **Multiplier Effect:** These programmes have had a tremendous impact on how to ensure that financial services are available to the most disadvantaged members of society. By providing underprivileged and marginalised groups in society with access to financial resources, it has the ability to end poverty and generate employment.

- **Improving Citizen Active Participation:** Prior to now, private institutions did not frequently serve the underprivileged as clients. This has now changed thanks to the active involvement of private actors (payment banks like Paytm, Airtel Money, and Jio Money), who realised the value of including the underprivileged in the financial safety net for their own business models.
- **Integration of Financial Services:** The Direct Benefit Transfer (DBT) scheme and JAM trinity have largely been integrated successfully. Targeted and accurate payments have been improved as a result of this. Additionally, it has assisted in lowering the dependency on cash payments and eliminating duplicate entries

## Associated Difficulties

Bank Accounts Are Not Universally Available: Bank accounts provide as a gateway to all financial services, although they are not always accessible. However, over 190 million adults in India do not have a bank account, making it the country with the second-largest unbanked population in the world, after China, according to World Bank research.

The following are the common roadblocks to the adoption of digital technology that might improve financial inclusion:

- Lack of sufficient financial goods: Inability of stakeholders to use digital services.

- Infrastructural issues: Low-income groups cannot afford the technology needed to access the digital services.

- Informal and Cash-Heavy Economy: India is a predominantly cash-based economy, making it challenging to implement digital payments. In addition, according to the International Labour Organisation (ILO), 81% of Indian employees are employed in the unorganised sector and The existence of a sizable informal sector and a high reliance on cash transactions has hampered the digital financial inclusion.

- Gender Inequality in Financial Inclusion: According to the 2017 Global Findex database, 83% of males over the age of 15 years in India had an account in a financial institution 2017, compared to 77% of girls. This is due to socioeconomic variables such as men having a greater access of mobile handsets and internet data facilities than women.

- **Inadequate Credit Penetration:** Due to lack of available information with the formal creditors to determine the credit worthiness of borrowers, it becomes difficult to extend credit to low-income groups and informal companies. As a result, credit is becoming expensive. As a result, there were only 154 loan accounts for every 1,000 adults in India in 2016. When compared to comparable economies like BRICS countries, this is quite low.

## Actions to be Taken

- **Resurrecting the Banking Correspondent Model :** Because it would be impossible to open branches in every region of the nation, bank correspondents are used to reach out to potential consumers. However, correspondent banking is unattractive due to a weak pay structure. As a result, more financial incentives for banking correspondents are needed, as well as better training.

- **Taking advantage of JAM Trinity:** Technology should be used to improve creditworthiness assessments for families and small businesses. With the deployment of suitable technology, a new data-sharing framework (using the Jan Dhan and Aadhaar platforms) can be created.

- **Need for Data Protection System:** Along with increased digitization, the nation must improve its data protection and cyber security measures.

- **Promotion of USSD in Rural Areas:** The USSD channel has an advantage over the internet in that it can reach a sizable number of non-smartphone users, hence it should be encouraged (by paying back the fees incurred in the USSD process). In India, where some people still lack dependable internet connectivity, USSD might be extremely helpful.

## Conclusion

For financial inclusion to be successful in India, a comprehensive strategy that encourages new technological advancements while enhancing current digital platforms, infrastructure, human resources, and policy frameworks is required. If the right measures are taken to overcome the current problems, financial inclusion could increase the benefits of economic advancement to the poor.


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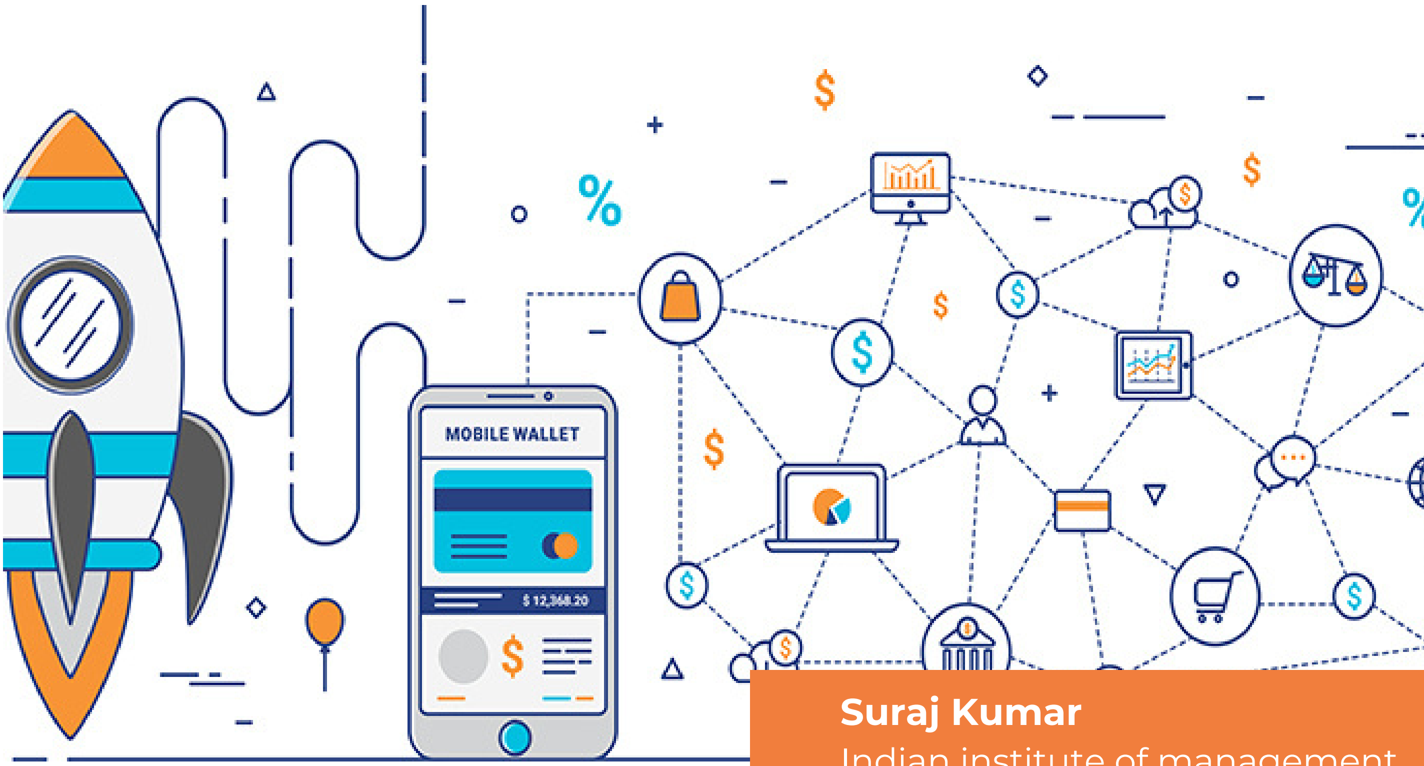


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# BLOCKCHAIN TECHNOLOGY: TRANSFORMING FINANCIAL INCLUSION FOR A MORE EQUITABLE FUTURE

## Introduction

Blockchain technology has developed as a powerful tool in the pursuit for financial inclusion, a crucial issue in today's world. Financial inclusion means providing reasonable and reachable financial services to all, particularly to those who are left out from traditional banking systems. According to the World Bank, around 1.7 billion people globally do not have access to elementary financial services, which limits their opportunities for growth and success.

Blockchain technology, on the other hand, is a distributed, digital ledger that records exchanges in a secure and straightforward way. It has the ability to promote financial inclusion by giving access to monetary administrations to unbanked and underbanked populaces, reducing transaction costs, and increasing financial transparency. Furthermore, blockchain-based financial services can be accessed from anywhere, at any time, making them particularly relevant in remote and rural areas where traditional financial institutions are often absent. The potential of blockchain technology to drive financial inclusion has led to increased interest and investment in the field, with governments, non-governmental organizations, and private sector actors exploring ways to leverage this technology for social and economic development.

## How it works:

- A transaction is commenced by a participant on the network. This could be anything from a financial transaction to a record of ownership of a digital asset
- The transaction is transmissioned to all the participants on the network
- The participants on the network validate the transaction using intricate algorithms, verifying the authenticity of the transaction and ensuring that it meets the necessary criteria

- Once the transaction is validated, it is grouped together with other validated transactions and added to a block
- The block is then added to the existing chain of blocks, creating a permanent and unalterable record of the transaction
- The participants on the network can access this chain of blocks and verify any transaction that has taken place, creating a transparent and secure ledger

To ensure the integrity of the network, blockchain technology uses cryptography, which involves the use of complex algorithms to encode and decode information. This makes it difficult for anyone to hack or manipulate the network.

### Opportunities of Blockchain in Financial Inclusion

Blockchain technology has the possibility to transform the financial industry, particularly in the area of financial inclusion. With millions of people worldwide lacking right to use to basic financial services, blockchain can provide a platform that is protected, obvious, and available to everyone, regardless of their location or societal grade.

One of the key aids of blockchain technology is its capability to deliver secure and apparent financial transactions. Transactions on the blockchain are legalized by a decentralized network of nodes, making it virtually difficult for any single entity to influence the ledger. This can help to lessen the fraud and corruption, as well as escalate trust in financial transactions.

Another prospect for blockchain technology in financial inclusion is its potential to offer admittance to financial services to unbanked and underbanked populaces. In developing countries, traditional banking services may be limited or nonexistent, leaving millions of people without access to basic financial services. By using mobile devices and blockchain-based platforms, individuals can access financial services such as savings accounts, loans, and insurance products without the need for traditional banks.

There are already several successful examples of blockchain implementation in financial inclusion initiatives around the world. For example, in Africa, mobile money services such as M-Pesa have leveraged blockchain technology to provide financial services to millions of people who were previously unbanked. In Bangladesh, the United Nations Development Programme has implemented a blockchain-based platform to distribute funds to refugees, allowing for more efficient and transparent financial transactions.

blockchain technology presents significant opportunities for financial inclusion by providing a platform that is secure, transparent, and accessible to everyone. As more financial institutions and startups invest in blockchain-based platforms, we can expect to see even more innovative solutions emerge to address the issue of financial inclusion on a global scale.

### Challenges of Blockchain in Financial Inclusion

While blockchain technology presents significant opportunities for financial inclusion, it also poses a number of challenges that must be addressed before it can be widely adopted as a solution for the unbanked and underbanked populations.

One of the key challenges of implementing blockchain in financial services is navigating the complex regulatory landscape. Blockchain-based platforms are often decentralized and operate outside of traditional financial systems, which can make it problematic for regulators to display and impose compliance with existing financial laws and regulations. Additionally, there is often uncertainty surrounding the legal status of cryptocurrencies, which can limit their use in financial services.

Another challenge of blockchain technology in financial inclusion is the technical difficulty of scaling the technology to meet the needs of a large population. Blockchain networks require significant computing power and can become slower and less efficient as the number of users increases. This makes it difficult to provide fast and reliable financial services to a large number of people, particularly in areas with limited internet connectivity. Finally, there is a risk that the adoption of blockchain technology could exacerbate inequality and exclusion in financial services. While blockchain-based platforms can provide access to financial services to previously unbanked populations, those who lack access to technology or who are unable to navigate the complex world of cryptocurrencies may be left behind. Additionally, the lack of centralized control over blockchain networks means that there is no one to turn to if something goes wrong, which can lead to further exclusion.

In order to overcome these challenges, it is important to work closely with regulators to ensure that blockchain-based platforms comply with existing financial regulations. Additionally, efforts must be made to improve the scalability and efficiency of blockchain networks, particularly in areas with limited internet connectivity. Finally, it is important to safeguard that the adoption of blockchain technology does not degenerate inequality and elimination, and that efforts are made to provide education and support to those who may be left behind by the rapid pace of technological change.

## Case Studies of Blockchain and Financial Inclusion

Several initiatives around the world have been implemented to explore the potential of blockchain technology in promoting financial inclusion. These initiatives have sought to provide access to financial services to unbanked and underbanked populations, particularly in developing countries. Some of the most notable case studies of blockchain and financial inclusion are discussed below.

One example of a successful blockchain-based financial inclusion initiative is the BitPesa platform in Africa. BitPesa is a blockchain-based platform that allows users to send and receive money across borders at a fraction of the cost of traditional banking methods. By using blockchain technology, BitPesa is able to bypass the traditional banking system, making it easier and more affordable for people to access financial services. BitPesa has already gained significant traction in Africa and has attracted investments from major venture capital firms.

Another notable example of blockchain and financial inclusion is the UN's World Food Programme (WFP) initiative in Jordan. The WFP has implemented a blockchain-based system to distribute cash assistance to Syrian refugees in Jordan. By using blockchain technology, the WFP is able to provide refugees with a secure and transparent way to receive financial assistance, which can be used to purchase food and other essential items.

While these initiatives have shown promise, there are also challenges associated with the adoption of blockchain technology for financial inclusion. One challenge is the need to ensure that users have access to the necessary technology and infrastructure to use blockchain-based platforms. Additionally, there is a need to educate users on how to use these platforms effectively and securely, particularly in areas where there may be limited technical expertise.

Another challenge is the need to address issues of trust and transparency. While blockchain technology is designed to be secure and transparent, there is still a risk that some users may attempt to exploit the system for their own benefit. It is therefore important to ensure that blockchain-based platforms are designed with appropriate safeguards and that users are held accountable for their actions.

These case studies provide important insights into the potential of blockchain technology for financial inclusion. While there are challenges to overcome, blockchain has the potential to revolutionize the way that financial services are delivered, particularly in developing countries where access to traditional banking services is limited.

## Future of Blockchain in Financial Inclusion

The potential for blockchain to transform financial inclusion on a global scale is significant. Blockchain technology has the potential to democratize financial services and promote financial inclusion, particularly in developing countries where traditional banking services are limited. Blockchain can provide a secure, transparent and cost-effective platform for financial transactions, allowing people to access financial services regardless of their location or income. The future, we can expect to see a greater adoption of blockchain-based financial services, particularly in developing countries. This is because blockchain-based platforms can help to reduce the cost of financial transactions, making it more affordable for people to access financial services. Additionally, blockchain-based platforms can help to improve financial transparency and reduce the risk of fraud and corruption.

To ensure that blockchain is used in a way that is equitable and sustainable, collaboration between the public and private sectors is essential. Governments and regulatory bodies must work with private sector organizations to develop policies and regulations that promote the adoption of blockchain-based financial services while protecting the interests of users.

Furthermore, public-private partnerships can help to ensure that the necessary infrastructure and technology are available to support the adoption of blockchain-based financial services. This could involve collaboration between banks, telecoms providers, and technology companies to develop and implement blockchain-based platforms that are accessible to everyone.

In conclusion, the future of blockchain in financial inclusion is promising. While there are challenges to overcome, the potential benefits of blockchain-based financial services are significant. By working together, the public and private sectors can help to ensure that blockchain is used in a way that is equitable and sustainable, promoting financial inclusion and driving economic growth.

## Conclusion

Blockchain technology provides significant opportunities for financial inclusion by promoting secure and transparent financial transactions and increasing access to financial services for unbanked and underbanked populations. However, the implementation of blockchain technology in financial services is not without challenges, including regulatory and technical issues, as well as the potential for increased inequality and exclusion. Despite these challenges, the potential of blockchain to drive financial inclusion in the future is significant. Through the use of blockchain technology, individuals and organizations can access financial services regardless of their location or income. Furthermore, blockchain can help to reduce the cost of financial transactions and improve financial transparency, promoting economic growth and development.

To fully realize the potential of blockchain in financial inclusion, it is essential that governments, regulatory bodies, and private sector organizations work together to develop policies and regulations that promote the adoption of blockchain-based financial services while protecting the interests of users. By doing so, we can create a more equitable and sustainable financial system that promotes financial inclusion and drives economic growth.

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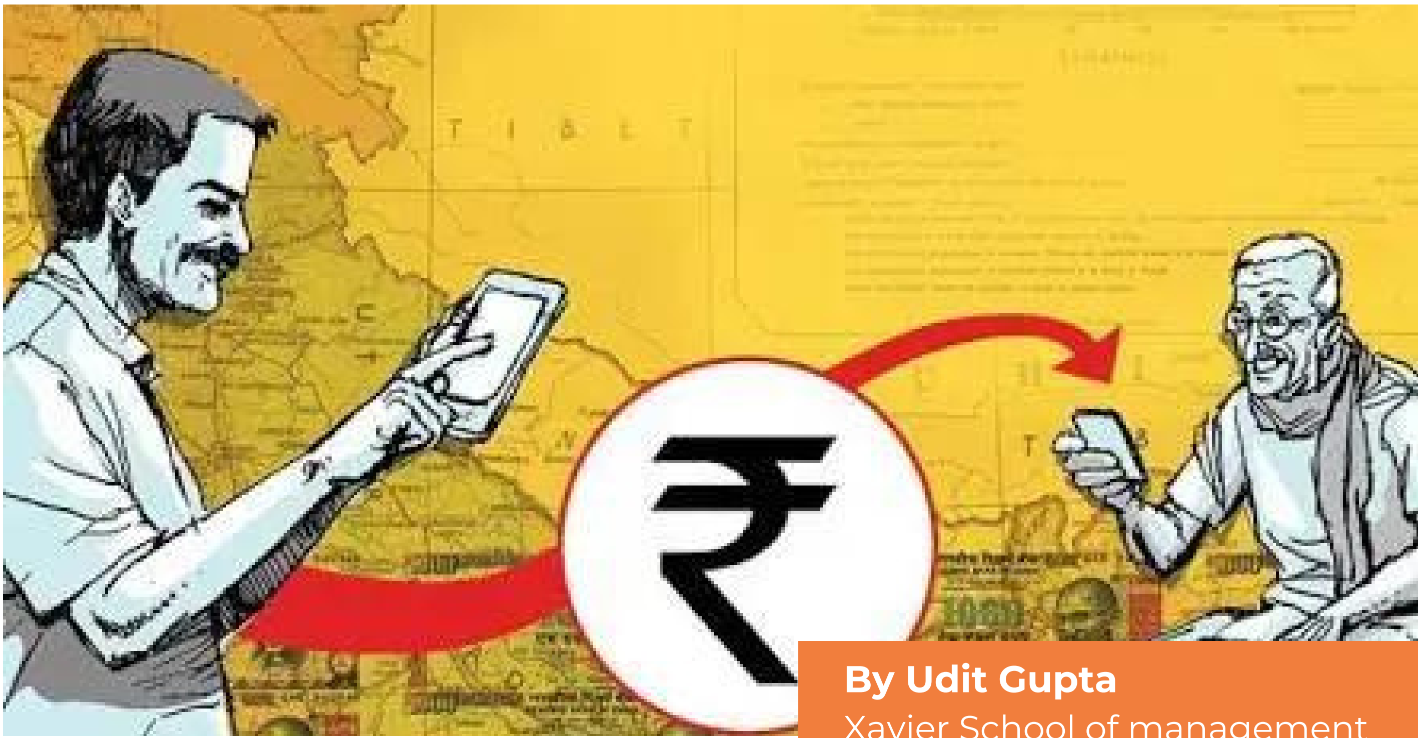


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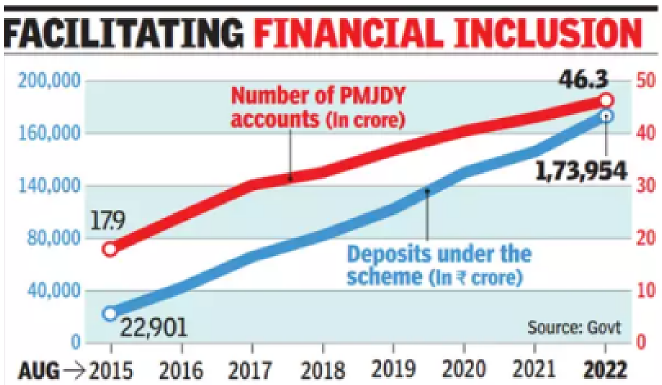
## DRIVING FINANCIAL INCLUSION: A CLOSER LOOK AT INDIA'S PROGRESS

One of India's growth drivers towards developed nations starts with financial inclusion, a strategy that aims to bring social upliftment and economic empowerment. We shall discuss India's progress regarding various initiatives, challenges, and the impact of these efforts. The roadblocks to financial services are unique, with an ever-increasing population and diverse socio-economic backgrounds. Be that as it may, the country is making significant strides towards inclusive finance, transforming lives, and fuelling economic growth through technological advancements, innovative policies, and collaborative partnerships. Accessible financial services contribute to overall financial stability and resilience.

This article delves into the importance of financial inclusion, highlighting the benefits, challenges, and role in improving the overall well-being of societies. The journey of financial inclusion has witnessed remarkable achievements recently, but the elephant in the room still needs to be addressed. Recent data suggests that around 20% (190 million) of Indian adults remain unbanked, a significant portion without formal financial services. Under Pradhan Mantri Jan Dhan Yojna (PMJDY), more than 400 million bank accounts have universal access to banking facilities, penetrating a difficult financial segment. PMJDY aims to expand affordable access to Indian citizens (minors of age ten or more can also open accounts) for financial services such as bank accounts, remittances, credit, insurance, and pensions.



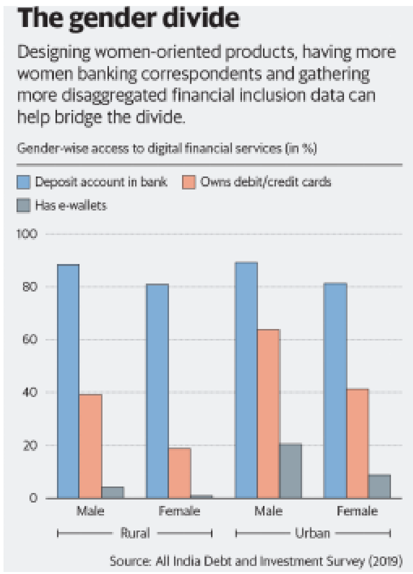

Other significant policies and key initiatives by the government have played a massive role in promoting financial inclusion. Aadhaar, a biometric-based identification system, has effectively made the delivery of financial services secure and efficient.

It has facilitated the seamless delivery of financial services by simplifying the Know Your Customer (KYC) process, enabling the opening of bank accounts, undertaking digital transactions, and accessing various financial products and government benefits. Another phenomenal scheme, Unified Payment Interface (UPI), has transformed the payment landscape and made financial transactions hassle-free by facilitating instant funds transfer across multiple payment platforms and banks. It has accelerated the adoption of digital financial services and reduced reliance on cash transactions, particularly among the unbanked and underbanked populations.

In addition, the Reserve Bank of India (RBI) and the Securities and Exchange Board of India (SEBI) have also undertaken several measures to promote financial inclusion. Not only has RBI mandated the provision of essential banking services via "no frills" accounts but also directed the banks to set up brick-and-mortar branches in unbanked areas. Banks are also encouraged by RBI to collaborate with technology-driven entities and extend their services to rural locations through banking and business correspondents.

Despite streamlined progress, many hurdles exist before complete financial inclusion in India. First, a lack of awareness and financial literacy among the people restricts the adoption of financial services. Often, marginalized groups such as low-income households, rural communities, women, and small-scale entrepreneurs face barriers in accessing financial services, hindering their ability to accumulate wealth, manage risks, and invest in their futures. We can bridge this gap by intensifying educational campaigns and financial literacy programs.

Microfinance institutions (MFIs) and self-help groups (SHGs) have also played a vital role in addressing the issues of affordable credit to marginalized communities by providing small loans to individuals and promoting entrepreneurship. Furthermore, technology-driven solutions like digital lending and peer-to-peer lending platforms have emerged as alternative sources to give credit to individuals and microenterprises. Additionally, digital banking and mobile payments have become common, but many remote and rural areas still need reliable internet connectivity and technological infrastructure. Initiatives to enhance internet connectivity, infrastructure development, and access to digital financial services are essential to diminish the digital divide, which poses a barrier to financial inclusion. Finally, data privacy and consumer protection are crucial for fostering trust in financial services. Regulations and policies must be robustly enforced to ensure data security and safeguard consumers' interests. The impact of financial inclusion has been transformative on India's socio-economic landscape. Individuals are now empowered financially and have opportunities to save, undertake financial planning, and access credit. Access to financial services has helped improve livelihoods, reduced poverty, and facilitated entrepreneurial ventures. Economic growth is also visible thanks to increasing consumption, investment, and productivity.




We are still a work in progress regarding financial inclusion, and policymakers should focus on increasing access to inclusive and affordable financial services, primarily focused on underserved areas. By leveraging technology, strengthening regulatory frameworks, and focusing on targeted interventions, India can further enhance financial inclusion, empowering individuals and contributing to sustainable and inclusive development.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Faculty Corner

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## GREEN FINANCE -NEED OF THE HOUR

Green Finance is a key factor for achieving green growth which refers to balanced economic growth – an essential component to achieve sustainable growth. Carbon dioxide ($CO_2$) and other greenhouse gases (GHGs) have been produced as a result of ecological inequity since the Industrial Age, which eventually led to worldwide environmental problems. The environment has been impacted by technological improvements due to pollution, global warming, Ozone depletion, resource depletion, deforestation, and loss of biodiversity.

Governments are essential to promote and control green industrial markets by fostering green technology, products, and consumption in order to establish links between green finance and green growth. Green finance is a crucial part of green growth since it allows companies to raise money to investigate new business opportunities and implement green technology. The Green Finance Initiative (GFI) was established in London in January 2016 with the goal of raising awareness of green finance and promoting particular legal and policy initiatives that would aid in its global promotion. The Principles of Responsible Investment pledge, which represents asset owners, investment managers, and others, had 1874 signatories in total, but only 122 of them were from Asia, indicating that the involvement of Asian financial institutions in sustainable finance projects is relatively low.

India, which has become a global economic powerhouse over the years, is one of the country's most severely impacted by anthropogenic environmental change. India created a national climate agenda as part of the Paris Agreement, but the nation is unable to achieve its objectives due to a huge gap in the green financial market, as well as other issues with the general bond market and the underlying infrastructure. By generating environmental advantages, green financing is essential for promoting inclusive, robust, and cleaner economic growth. It aids in boosting the flow of financial resources.

Green financing received attention in India as early as 2007. The Reserve Bank of India mentioned the significance of global warming and climate change in the context of sustainable development in a notification titled "Corporate Social Responsibility, Sustainable Development and Non-financial Reporting- Role of Banks" that was published in December 2007.The Reserve Bank of India has implemented a number of proactive policy steps to encourage and assist green financing ventures. India established a goal to generate 450 GW of renewable energy by 2030.

In order to realize the goal of a low-carbon economy, green growth takes into account the balance between the economy and the environment. The term "green finance" primarily refers to financial arrangements that are made specifically for the use of environmentally friendly projects and projects that incorporate climatic change-related elements. The creation of energy from renewable resources like solar, biogas, and wind, waste management initiatives like recycling, energy conversion, and effective disposal, clean transportation initiatives like reduced greenhouse gas emissions, and energy-efficient initiatives like green building are among the projects that are environmentally sustainable.

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# INDIAN ECONOMY IS BOX OFFICE

In a world, discombobulated with flawed monetary policies due to the adversity of covid 19, the Indian economy is Box Office in the world.

Covid 19 seems history, but the after affects are felt now with great clarity.
The western world completely accelerated the engine of money, forgetting the basics of Economics 101. Buffet clearly states "The less prudence with which others conduct their affairs, the greater the prudence with which we should conduct our own affairs."

The RBI and Indian Govt perfected this with large doses of common sense, and today here we stand in the world laced with respect and awe, when everyone else seems to be struggling. The RBI can surely open a school and lecture Central Banks around the world, it has rightfully earned it. The Indian economy has some structural changes which will keep the Indian Economy flying high and let us elucidate it below for better clarity.

**Demographic Dividend** – India has one of the youngest populations in an aging world, India's median age is around 28 years compared to 37 in China and 45 for the United States. Demographic dividend has historically contributed 15% of the overall growth in Advanced economies. In India we are at the Embryonic stage waiting for this explode and transit the powerful blast into our growth engine.

**Digital Powerhouse** – The Digital adoption of Indian Economy has been breathtaking, the govt initiative on Aadhar stands tall against anything in the world, the KYC initiative on financials, and the advent of digital payment system in India has stunned even the best of economist. This journey has just begun so think what is the potential and what we can achieve and change. This digital engine is going to be a huge contributor to our GDP in the coming next 2 decades.

**GDP Growth and FDI**– Money chases Growth, and Growth seems to be starved in the world over, America in its best years grows at 2-3%, Japan is in ICU for the longest period, Europe is in a mess, Germany and France eking out some marginal growth, but that too now seems in slumber. In all this Indian economy grows at 6% in a bad year, think if we get little global growth, we can easily touch 8-10% growth, which will generate close to US$400 Billion dollars of annual output. Global companies looking for alternative to China, have one option and global giants like Apple and many others have started sowing the seed. This seed will transform itself into a Storm and power Indian economy to dizzying heights.

**Credit Growth, Consumers and Billionaires** – The Indian Banking system currently is in pristine combination of lowest NPAs, High credit growth, and ample profitability. Banks are the backbone of any economy; Credit growth is a powerful engine for prosperity. Indian economy is currently in sweetest spot. The Digitization combined with growth in Per Capita will fuel the boom in financialization of savings, resulting in a booming stock market which will make many Indians damn wealthy. The share of Billionaires in India will inch up and next decade do not be surprised if we outpace many developed nations as the opportunity size seems, just at the perfect stage of explosion.

Post Independence, India has surprised many and its only the start, we are at the cusp of exploiting the human talent which we possess, we will face all our challenges and emerge victorious, as we progress into this decade our progress will be scintillating with its share of ups and downs, but our unwavering conclusion is "Go Long on India" this is one country where your Billionaire destiny cards are going to be distributed, make sure you collect yours by being Invested in India.

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