



# IAS PARLIAMENT

*Information is Empowering*  
A Shankar IAS Academy Initiative

## Hurdles in Financial participation

### What is the issue?

\n\n

\n

- In India there are hurdles to financial participation due to various reasons.
- A flexible environment is needed to develop solutions to address such issues.

\n

\n\n

### What are the concerns with household finances?

\n\n

\n

- Financialization has not been easy, Indian households face considerable hurdles in implementing even simple changes.
- In India there is a strong tendency to keep wealth in physical assets, gold and property.
- Levels of pension wealth are worryingly low, as is take up of all types of insurance, even in areas which are prone to natural disasters.
- When emergency expenditures are necessary, for example, for health reasons, there are high levels of reliance on unsecured debt from non-institutional sources.
- Indians have traditionally shunned pension plans in favour of traditional arrangements in which the younger generation takes care of their elders.
- But these traditional structures are under increasing pressure, putting families in a potentially vulnerable position.

\n

\n\n

## **What are the disquiets with government policies?**

\n\n

- \n
- Recently union budget announced a universal health insurance, but it is yet to be drafted efficiently.
- \n
- Union government introduced the long-term capital gains tax is a step backwards, given how responsive Indians are to tax incentives.
- \n
- Government provides only a basic information about myriad services and providers which is best for each family, and how one can transition between them if necessary.
- \n
- Onerous bureaucracy, a scepticism of organised financial institutions, significant problems with trusting a financial system are also being concerns with the government.
- \n
- Entrepreneurial solutions are facing the hurdle of inflexible regulation, particularly where several regulating bodies might be involved.
- \n
- All of these problems can contribute to a sense of embarrassment and even the fear of exploitation in lower-income households in particular, who often report believing that financial products are for the rich.
- \n

\n\n

## **What measures needs to be taken?**

\n\n

- \n
- Innovations in financial technology will surmount many of the challenges associated with helping Indian households to more efficiently use formal financial systems.
- \n
- Technological solutions can help bypass issues of embarrassment and the tedium of bureaucratic processes.
- \n
- By moving to paperless KYC requirements, for instance, customers could relatively easily sign up and switch between to new products without having to go through a cumbersome process.
- \n
- Financial education and explicit opt-ins for access to more complex products,

either at the point of e-KYC completion, or at the point of PMJDY account opening is needed.

\n

- A “regulatory sandbox” needs to be created, this institution could kick-start a dialogue between regulatory bodies, households, and the financial technology industry.

\n

- To address challenges in Indian household finance, customised and scalable solutions, in a controlled environment of flexibility and experimentation is needed.

\n

\n\n

\n\n

**Source: Indian Express**

\n



**IAS PARLIAMENT**  
*Information is Empowering*  
A Shankar IAS Academy Initiative