

Though India's efforts to expand access to organized financial systems through digital payments have started, digital literacy is integral for financial inclusion. Comment.

Global Microscope 2019, a report on 'enabling environment on financial inclusion & expanding digital payment services' ranked India at the top-5 (topped among BRICS). However most of the people at the grassroot level are financially excluded from the Indian economy.

Expanding Access to financial systems

1) Role of RBI

- To promote digital inclusion, RBI has launched off NEFT & RTGS charged & made it available 24x7 to empower every Indian with access to e-payment options.

2) Growth in Digital Infrastructure

- Banks are moving from physical infra services to digital services with the advent of smart-phones, internet connectivity etc.

- As a result, Point-of-Sale for banks & debit cards rolled out has increased significantly.

37) Role of Fin-tech Companies

- Fin-tech companies such as Paytm, A-pay, Amazon-pay etc are collaborating with banks to expand digital outreach

- Digital India & Demonetisation gave a needed thrust to these companies to expand

& - As per Nilekani Committee report on digital payments, 10-fold increase will happen in the next-3 yrs.

Concerns : Financial Inclusion

- World Bank: PM Jan Dhan Yojana has led to inclusion of millions of people to the financial system. However 47.1% of the accounts are inoperative & 23% are dormant.

- Still people are excluded from the system. This has led to affected various govt. schemes to the poor such as poverty alleviation, PDS etc.

Digital literacy : The solution

- Fintech companies, Small Finance Banks & NBFOs can collaborate to disseminate financial awareness at the grass root level

- SFBs can use 'On-Tap' Licensing scheme to expand its operation at the bottom of the pyramid

- Governments can provide Skidigital-skill training & awareness programmes can be conducted.