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## National Strategy for Financial Inclusion

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### Why in News

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The **Reserve Bank of India (RBI)** has planned the **National Strategy for Financial Inclusion (NSFI)** for the period **2019-2024**.

- It is an ambitious strategy which aims to strengthen the ecosystem for various **modes of digital financial services in all Tier-II to Tier VI centres** to create the necessary infrastructure to move towards a **less-cash society by March 2022**.
- Financial inclusion is a **key driver of economic growth and poverty alleviation** in the whole world.

### Classification of Centres (tier-wise) Population (as per 2011 Census)

- **Tier I** - 1, 00,000 and above
- **Tier II** - 50,000 to 99,999
- **Tier III** - 20,000 to 49,999
- **Tier IV** - 10,000 to 19,999
- **Tier V** - 5,000 to 9,999
- **Tier VI** - Less than 5000

### Key Points

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- **Vision:** 'A financially aware and empowered India'.

- **Objectives:**
  - Create awareness and educate consumers on access to financial services, availability of various types of products and their features.
    - A target has been set that every willing and eligible adult, who has been enrolled under the **Prime Minister Jan Dhan Yojana**, will be enrolled under an insurance scheme and a pension scheme by **March 2020**.
  - Change attitudes to translate knowledge into behaviour.
  - Make consumers understand their rights and responsibilities as clients of financial services.
  - Increase outreach of banking outlets to provide banking access to every village within a 5-km radius or a hamlet of 500 households in hilly areas by March 2020.
  - Ensure that every adult had access to a financial service provider through a mobile device by March 2024.
- **Stakeholders:** It recognises an **indicative list** of stakeholders-
  - Financial Consumers.
  - Financial Market players like banks, **non-banking financial companies** (NBFC) etc.
  - Educational Institutions.
  - Non Governmental Organizations (NGOs).
  - Financial Sector Regulators.
  - Both Central and State governments.
  - Multilateral international players like **OECD, G-20**, etc.
- **Significance:**
  - Steps are needed to **strengthen the digital financial services' ecosystem** including increased awareness on usage of digital modes of transactions, increased acceptance infrastructure and a safe environment incorporating the principles of consent and privacy.
  - There is a need to **develop a sector-specific action plan** to monitor targets and review the progress, along with a strong regulatory and legal framework aimed at protecting the interests of the customers, promoting fair practices and curbing market manipulations.
    - Currently, financial inclusion policies are targeted towards specific sectors such as the **small and medium businesses**, agriculture or specific regions such as the **aspirational districts**.
- The strategy also envisions to make the **Public Credit Registry (PCR)** **fully operational by March 2022** so that authorised financial entities could leverage it for assessing credit proposals from all citizens.

**Source: TH**