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Factors preventing Financial Inclusion

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Recently, **Business Correspondents (BCs) and bankers have flagged some issues that are blocking financial inclusion in the country.**

Key points

- Aadhar enabled payment system (**AePS**) **device subsidy, being offered by NABARD is not being availed by the banks** and BCs cannot afford the same. This restricts access to Direct Benefit Transfer (DBT) money to the citizens.
- Jan Dhan accounts and accounts in rural areas are not being identified by the common IFSC code of centralised Core Banking System. Hence, any service to these accounts are violative of government intent and invite GST charges.
- **Fee proposed by the government is not being paid to BC agents**, thus making the work unviable for them.

Who are Business Correspondents?

- Business Correspondents (BC), authorized by the Reserve Bank of India, **are retail agents engaged by banks for providing banking services** at locations – **mostly remote areas** — other than a bank branch or ATM.
- BCs enable a bank to provide its limited range of banking services at low cost, thus promoting financial inclusion.

AePS and DBT:

- Aadhaar enabled Payment System (AePS) is a bank-led model which allows **online interoperable financial inclusion transaction** at PoS (MicroATM) through the Business correspondent of a bank using the **Aadhaar authentication**.
- The only inputs required for a customer to do a transaction under AePS are:
 - IIN (Identifying the Bank to which the customer is associated)
 - Aadhaar Number
 - Fingerprint captured during their enrollment

- The **Direct Benefits Transfer (DBT)** simply involves transferring the subsidy amount and other benefits (called transfers) directly to the beneficiaries' bank accounts instead of providing it through government offices.
- AePS helps targeted beneficiaries under DBT in receiving the subsidy amount.

NOTE: In September 2018, the Supreme Court set aside mandatory linking of Aadhaar with bank accounts, but allowed DBT-related Aadhar use.

Way Forward

- **BCs need to be properly incentivized and monitored by the banks.** They should be provided with all such facilities and devices that they need.
- **The government needs to make small savings affordable for banks.**
- It is the need of the hour to **educate the people**, especially the target section about the available benefits like the one associated with RuPay cards.