Financial Inclusion in India

Report

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Navika Harshe (nrharshe@gmail.com)
Zoe Kennedy-Hughes (zkenhug1@gmail.com)

A-id: Agenda for International Development
www.a-id.org

Access to affordable, safe, and easy financial services for marginalised and vulnerable communities has been recognised as a prerequisite for accelerating growth, reducing income disparities and poverty. Financial inclusion is recognised as a critical component of achieving at least 8 of the 17 Sustainable Development Goals. Despite this, approximately a quarter of adults worldwide are still unbanked. Without access, poor people and small enterprises must rely on limited savings and informal means of finance that are accompanied with high costs for investments. Women, the poor, the young, and those outside the workforce have less access to financial services than men and adults who are higher-income earners, older, and in the workforce.

Consequently, many low-income households are reliant on informal finance for non-productive consumption and emergency requirements. Modern development theory recognizes that limited access to financial services slows growth and drives inequalities, resulting in growth that is concentrated in the hands of the few.

Currently, there is no universally accepted definition of financial inclusion leading to governments and international organisations adopting their own definitions. The Reserve Bank of India (RBI) defines financial inclusion as *"the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low-income groups at an affordable cost*". Growth with equity has been a central objective of the Government of India (GOI) since independence and is reflected in the inclusive growth strategy adopted by the RBI.

In recent years India made huge strides in increasing access to financial services and has been a global leader in driving account ownership. This has largely been achieved through initiatives such as zero balance savings accounts introduced in 2005 which was then renamed the Prime Minister Jan Dhan Yojana (PMJDY) through which approximately 710 million first time bank accounts were opened. Similar success is mirrored in the reduction of the gender gap in bank account ownership. This increased access has coincided with progress in financial digital infrastructure and has led financial inclusion to becoming tied with digital literacy. Additionally, the Covid-19 pandemic created the circumstance for digital financial inclusion to be the dominant mode of financial inclusion.

In a fast-growing economy such as India, the challenge remains on achieving financial inclusion to sustain and diversify growth without driving inequality. Despite advancements in account ownership and closing the gender gap in account ownership this has not translated in increased bank account usage and access to other financial services.

This report provides an overview of financial inclusion in India by looking at current schemes and their achievements. The report will compare these achievements with the objectives of financial inclusion noted in empirical evidence to demonstrate any shortcomings and to identify the path forward.

1. Global Financial Inclusion: Where Does India Stand?

Account ownership is the fundamental measurement of financial inclusion used by the World Bank's Global Findex survey. Account ownership is the primary access point for the unbanked to use financial services that can promote development. It provides the means in which people can store, send, and receive money, enabling investments in health, education, and business.

The Global Findex Database (2021) shows that worldwide account ownership increased by 50 percent in the 10 years spanning 2011 to 2021, to reach 76 percent of the global adult population. The growth in global account ownership was largely driven by China and India. In India, account ownership more than doubled from 35 percent in 2011 to 78 percent in 2021. Of the newly opened accounts in this scheme 55 percent were women, decreasing gender disparity by 13.8 percent. To show the momentous impact India had on global account ownership, if India is excluded, account ownership grew by just 3 percentage points between 2014 to 2017. That is, in 2017, of the 467 million newly banked adults in developing countries just 186 million lived outside of India. From 2017 to 2021, the average rate of account ownership in developing economies increased by 8 percentage points, from 63 percent to 71 percent. The targeted schemes implemented by the RBI and GOI in bank account access have been successful. This is shown in the 2017 Findex data in the elimination of account ownership gaps in terms of gender, income, and location (rural/urban) in comparison to other countries such as Bangladesh and China.

While access has improved, active usage of the accounts has not seen a similar rise. Globally inactive accounts fell from 17 percent to 12 percent between 2014 and 2017. Whereas in India, 35 percent of accounts remain inactive, seven times larger than the global average of 5 percent. India has seen a stagnation in account usage with inactive accounts remaining the same between 2017 and 2022, with women representing a larger proportion of inactive accounts.

India has made impressive strides in increasing access to financial services through account ownership. However, there is still a long way to go in achieving universal account coverage as India maintains the largest share of the worlds unbanked.

Figure 1: Adults with no account (%) 2021

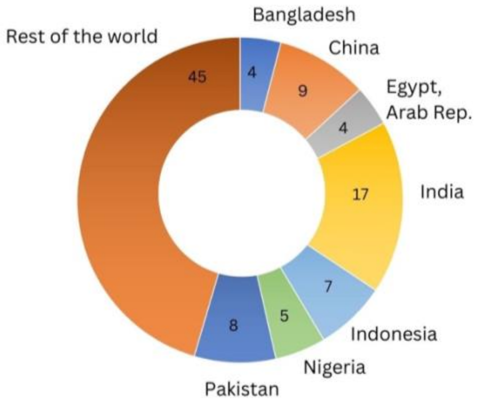
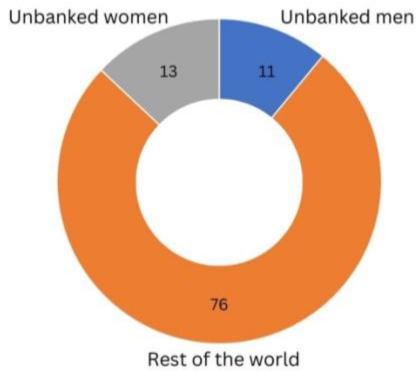


Figure 2: All adults with and without an account (%) 2021



Source: Global Findex Database 2021

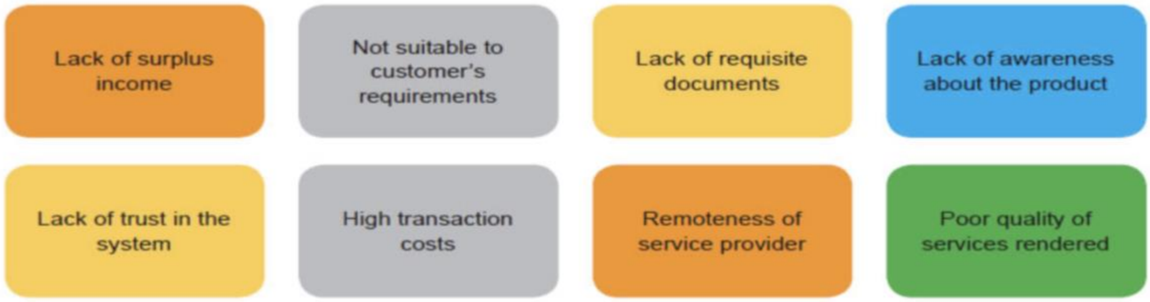
2. Financial Inclusion in India

Inclusive growth has been a central objective of the Indian Government since inception. This is shown in the efforts made by the Government of India beginning with the nationalisation of banks in the 1960s. Nevertheless, the term 'financial inclusion' was only explicitly used in 2005 by the RBI and the policies implemented were limited to geographic inclusion with a greater focus on access to banking outlets.

During the 1970's and 1980's to increase equitable growth the focus was on channelling credit to agriculture practices and small businesses. In the 1990s and the 2000s microcredit emerged as the main instrument for inclusive growth. Today, RBI's strategy (2019-2024) is based on the financial inclusion triad: financial inclusion policies, financial literacy initiatives and customer grievance redressal.

Financial inclusion is typically measured by focusing on those who are excluded from formal financial systems. The major causes of financial exclusion in India often cited include limited extension of institutional credit in rural areas due to perception of high risk, high operating costs, lack of rural infrastructure, and vast geographical spread of the country. The micro factors which are perceived to inhibit credit flow to disadvantaged groups include factors such as lack of awareness of financial products and services, the procedures for obtaining loans, staffing and human resources, and lack of effective legislation for regulating money lending. Figure 3 shows the key causes of financial exclusion as recognised by the RBI.

Figure 3: Causes of Financial Exclusion



Source: National Strategy for Financial Inclusion (NSFI): 2019-2024

Participants of Budget Rani workshops, a financial inclusion programme targeting women from low-income households, highlighted the unfriendly environment at banks. This was a major reason women avoided using their bank accounts. Many women complained about the condescending attitude of bank employees, the lack of information on available services and products and most importantly, that the fees and costs of products are not explained in an understandable manner. For instance, important and relevant information on the change in the zero-balance status of an account based on an individual's usage was not conveyed to the account holders. This results in unexplained fees when the account changes from a zero-balance account to a regular account with customers then choosing not to use their accounts to avoid the hidden costs.

Furthermore, personal reasons prevent women from using their bank accounts. For example, women also said that if they saved money in their bank accounts their husbands would know about it and use it. There was no way for them to keep some of their money a secret if it was in the bank.

This demonstrates the broad challenges of financial inclusion. Currently, there tends to be a greater focus on measuring financial inclusion based on account ownership or access to financial products and services which does not demonstrate a deeper understanding of financial inclusion.

3. Financial Inclusion Beyond Account Ownership and Access

The Reserve Bank of India incentivised banks to expand their outreach to all sections of the population by expanding branches in rural and difficult to reach areas and by offering zero balance accounts in 2005. These efforts have resulted in almost equal rates of account access between rural and urban areas. India's financial inclusion benefited further from Direct Benefit Transfers (DBT), the payment of entitlements and benefits directly into the accounts of beneficiaries. Such schemes helped to increase financial inclusion and encourage the previously underbanked populations such as women, rural and below-poverty-line individuals to access formal financial institutions.

Under RBI's own definition of financial inclusion, access to accounts alone is not enough to instigate development indicators and financial inclusion. RBI's definition includes access to financial services such as insurance, pension, and credit to marginalised sections of society. To achieve this vision several initiatives have been taken over the years through both central (federal) government policies and state government policies. This report will largely focus on Central Government policies with a few examples of state government policies that cover insurance and pension schemes as well as credit and capital for entrepreneurship.

Insurance

The Economic Survey 2022-2023 observed that India is poised to emerge as one of the fastest-growing insurance markets in the coming decade. Insurance penetration, which is the ratio of total insurance premiums to Gross Domestic product (GDP) in a year, has increased from 2.7 percent in 2012 to 4.2 percent in 2020. Life insurance penetration in India was 3.2 percent in 2021 which was slightly higher than the global average. The Insurance density which is the insurance premium per capita has increased from USD 11.1 in 2001 to USD 91 in 2021 demonstrating an area of potential growth.

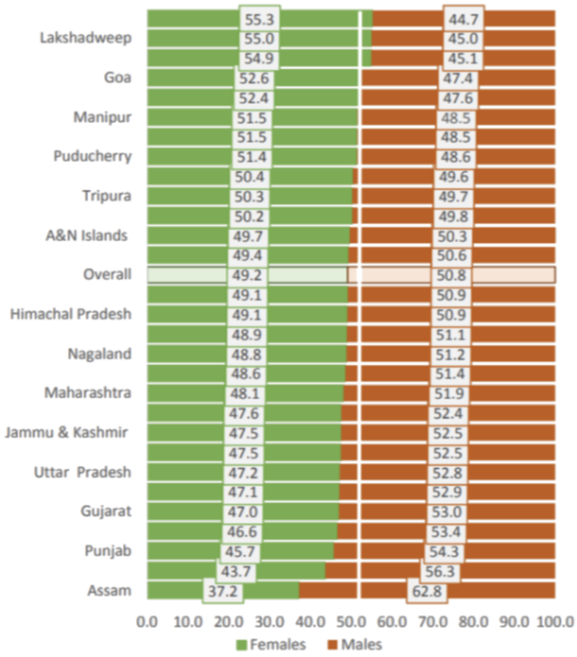
Non-Life insurers registered a Year on Year (YoY) growth of 10.8 percent in FY 2022 this was primarily driven by health and motor segments. The increase is attributed to rising per capita income, product innovations and customisation, development of strong distribution channels, and rising financial literacy. The life insurance premium registered a YoY growth of 10.2 percent where new businesses contributed to 45.5 percent of the total premiums received by the life insurers.

To promote financial inclusion through better penetration of insurance to lower income households the Insurance Regulatory and Development Authority of India (IRDAI) has issued IRDAI (Micro Insurance) Regulations (2015) to create a platform for affordable insurance products for the poor. For new businesses 1.07 million new micro-insurance policies were issued and in the general insurance segment 53,046 policies were issued in FY21. Continuing with the GOI policy of providing insurance as a social welfare measure additional schemes for health, old age and farmers were also enhanced.

In 2015, the Government launched two insurance schemes, Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), the life insurance scheme and Pradhan Mantri Suraksha Bima Yojana, an accident insurance scheme. As of March 2023, approximately 160 million and 340 million were enrolled under PMJJBY and PMSBY, respectively. In 2018, the Pradhan Mantri Jan Arogya Yojana (PM-JAY) was launched to provide a health cover of INR 5,00,000 (approx. USD 6,100) per family per year for secondary and tertiary care. The scheme aims to provide health cover for over 120 million poor Indians. In addition to these central government schemes, individual states have their own insurance schemes which cover people within the state. Notable among these have been the Aarogyashree in Andhra Pradesh and Telangana and Bhamashah Swastya Bhima Yojana in Rajasthan. The schemes typically cover care at both public and private facilities while the amount of coverage varies between states.

A recent study by the National Sample Survey (NSS) of PMJAY found that there was wide variation in programme usage by gender across states. The gap was predominantly noticeable in the expenditure on medicine which varied between 1.9 percent to 67 percent for treatment per hospitalisation. Studies from other states also found a difference between men and women in the use of insurance. In Rajasthan, only 45 percent women used hospitals with this number declining further for girls below the age of 10 and women above the age of 50. Women are consistently underrepresented at private and tertiary care hospitals. A study in Tamil Nadu found that social and cultural barriers at various levels prevent women from seeking care and thus their usage of health insurance is limited. Insurance cannot be looked at in isolation of gender and other social structures.

Figure 4: Gender-wise E-cards Generated Across States



Source: [National Health Authority]

Pension Schemes

Government employees both at the federal level and state level were entitled to a pension post retirement. This has been stopped since the year 2000. Currently only individuals serving in the defence forces are entitled to a pension. The remaining population must personally invest in pension schemes and other instruments for long term return. There are a variety of government backed pension funds that target different segments of the population to support people in retirement.

The age of retirement for people in the formal sector is 60 with few exceptions such as central university professors who retire at 65. In the informal sector, there is no recognised age for retirement and many people continue to work if they are physically able. The concept of saving for retirement is not widely prevalent among people from low-income households. Traditionally children are expected to look after their ageing parents.

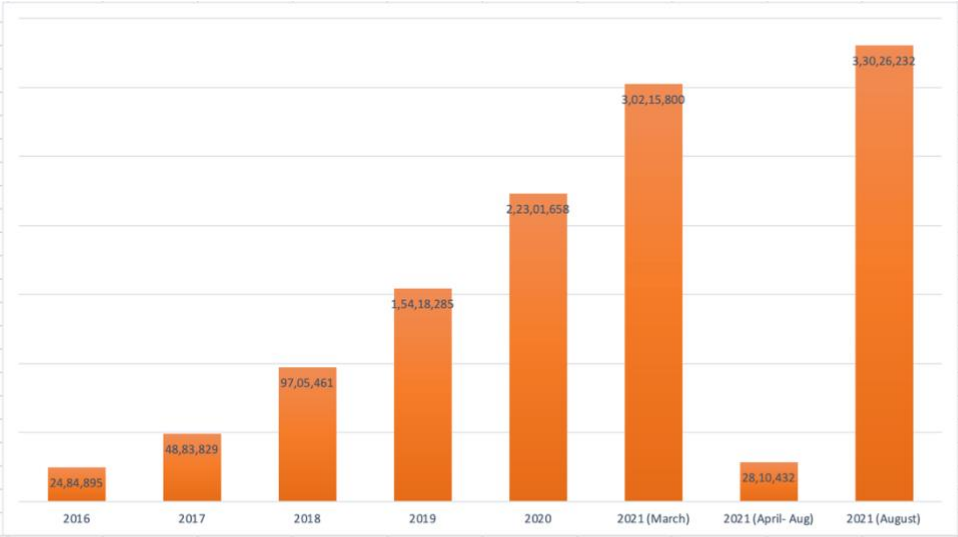
Given that most jobs do not provide a pension, contributory pension funds are one way for people to invest for their retirement. Some of the key contributory pension funds include the Employee Provident Fund (EPF) where both the employees and employers contribute a certain percentage of money into the fund. EPF is used largely by firms in the formal sector and does not cover firms in the unorganised sector. Other schemes such The National Pension System are contributory schemes where only the employees contribute and not the employer.

Atal Pension Yojana (APY) is a government-backed pension scheme in India, primarily targeted at the unorganised sector. To receive benefits under the APY individuals need to subscribe to it before they turn 40 and contribute to it till the age of 60. Based on the amount and number of years they contribute they will earn a pension after they turn 60.

In India there is no social security and hence pensions for certain vulnerable and marginalised groups such as elderly, widow and disabled persons are provided as a social welfare measure. Post Covid, families who had lost an earning family member have been brought under various pension schemes. The amount available under these schemes tend to be meagre and do not always cover the cost of living. People need to visit their banks to receive their pensions which adds an additional cost of travel and time to receive their pension.

APY offers a pension scheme for those working in the unorganised sector. According to Pension Fund Regulatory and Development Authority data, APY accounts have increased by 28 percent from 352 million in March 2022 to 453 million in March 2023. Figure 5 demonstrates the steady rise in the enrolment of APY from 2016-2021. The Economic survey 2021-22 notes that most subscribers invest INR 1000 (approx. USD 12) per month, that is 38 percent of subscribers. It also notes that female subscribers have increased from 37 percent to 44 percent.

Figure 5: Atal Pension Yojana Subscribers



Source: Ministry of Finance (2021)

Capital for Entrepreneurship

Availability of credit is a critical component for expansion of any business and access to credit for small and micro enterprises is a key indicator of financial inclusion. While large scale formal enterprises easily access credit, it is more difficult for small, micro, and nano firms. The contribution of the Micro, Small and Medium Enterprises (MSME) sector to the GDP of India is estimated to be 31 percent. The Confederation of Indian Industries estimates that 99 percent of enterprises are micro while the rest are small and medium enterprises. In addition, there are an estimated ten million nano entrepreneurs which include street vendors and other businesses in the informal sector. Currently firms of this size access credit from a range of sources; 13 percent borrow from banks; 3 percent borrow from Non-Banking Financial Companies (NBFCs) and the remaining 84 percent borrow from informal sources. Borrowing from informal sources such as loan sharks incur a high rate of interest and non-payment of loans can negatively impact personal welfare. Given the critical role the sector plays in the Indian economy it is important to ensure availability of credit to support equitable financial inclusion.

The key reasons that formal financial institutions do not lend to the MSME sector is due to the lack of collateral, no proven credit worthiness, and the lack of financial literacy among borrowers. To address this the government of India set up two key programmes, MUDRA, and Stand-Up India, to encourage entrepreneurship in the MSME sector by providing credit through the formal banking system.

The Pradhan Mantri MUDRA Yojana (PMMY) a scheme launched in 2015 aims to provide loans to the non-corporate, non-farm small/micro enterprises to increase credit to marginalised communities. This scheme offers different categories of loans with the majority (40 percent) going to first-time entrepreneurs. Current government data shows that through MUDRA loans a total of INR 22.65 trillion has been disbursed. In the first three years the scheme showed an average growth rate of 33 percent. The ministry of labour and employment has indicated that the scheme helped in generating 11.2 million additional jobs between 2015-2018. The scheme has also had a positive impact on women's entrepreneurship with 69 percent of accounts held by women. Disbursements to women entrepreneurs registered an average growth of 23 percent in the first four years. In 2022, it surpassed its pre-covid level, registering 28 percent growth.

Stand-Up India was launched by the GOI in 2016 to support entrepreneurship among women and marginalised communities. Government data shows that 80 percent of loans were provided to 144,787 women and a total of 26,889 entrepreneurs and 8,960 businesses have been sanctioned loans.

Apart from these, many state governments have schemes and policies to encourage entrepreneurship. Notable among these are the Dalit Bandhu scheme in Telangana which provides a one-time capital assistance through a grant to members of the Dalit community (marginalised caste) for setting up businesses.

The other source of credit is through NBFCs and Microfinance Institutions. Micro Finance Institutions (MFI) are institutions which provide small scale loans to people, especially people with limited access to formal credit sources. It is provided largely to low-income individuals who do not have access to financial institutions. MFI's have come under criticism in India for many reasons including the high interest rates they charge which are much higher than the rates charged by formal banks. The due diligence conducted by MFI's is not as rigorous as banks and have led to defaults.

To address the lack of collateral for providing loans to women banks formed linkages with Self Help Groups (SHG). SHG's are informal groups of women who come together to provide social and financial support to its group members. SHG groups were given permission to be tied to the banking system through the Bank Linkage Programme (BLP). In 1996 through an RBI mandate, women's SHG and Bank Linkage Programme (SHG BLP) was identified as a priority sector for lending, prompting the National Bank for Agriculture and Rural Development (NABARD) to work closely with SHG's. Through SHG's, women can take on joint liabilities through a joint liability group providing women with the social capital needed for savings and to access credit. As on 31st March 2021 the SHG BLP had a membership of 11.9 million SHG's covering 142 million families.

Additionally, micro credit loans have also been targeted at women. However, only 11 percent of women have taken a microcredit loan. Use of micro credit is higher among women in rural areas (12 percent) compared to women in urban areas (9 percent).

During the pandemic there was an increase in the use of phone based instant payments through Unified Payments Interface (UPI) technology to small businesses resulting in a trail of financial data. This data now provides a credit history for these businesses and can be used to design credit products specially tailored for the sectors. This is being tried through the neo lending processes where firms are using AI and other tools to develop products for small businesses based on their digital data.

4. Burden of Debt and Non-Productive Expenditure

Literature shows that financial inclusion can drive development indicators by providing credit for productive investments and access to financial services that can cushion times of crisis such as insurance. However, marginalised communities are more often dependent on informal sources of finances in emergencies coupled with high costs pushing many into a lifelong cycle of debt. One of the biggest challenges to financial security for marginalised communities are expenses, especially health and social gatherings such as weddings. Such non-productive expenditure has been on the rise especially after the pandemic due to the cost of illness and loss of livelihood. Other major sources of expenditure are for social events such as weddings that are deemed necessary to fulfil as a form of membership to the community. Membership to the community forms a social security net for members by providing financial and non-financial support when needed. The spending on these events is huge and many are forced to take unsecured loans with high interest rates - pushing many into a debt trap.

This situation is represented in the India Debt and Investment Survey (AIDIS) (2019) that demonstrates the socio-economic divide in asset holdings between urban and rural India, the skewed nature of indebtedness and the concentration of wealth and benefits held among a small percentage of the population. According to AIDIS, 35 percent of rural households and 22 percent of urban households reported indebtedness. However, a closer look at the statistics demonstrates inequalities in the value and nature of those assets held by different segments of the population. The average assets held per household in urban India is 1.7 times that in rural India. The more dominant social groups have the highest asset ownership both financial and physical. The average asset holding of the top 10 percent in both rural and urban India is more than three times that of the next 10 percent. The gap between the top 10 percent and the remaining 80 percent of households increases as one moves down the asset holding category with the bottom 70 percent of households holding only 22.63 percent of assets in rural India and 17.53 percent in urban India.

Household debt in India has been rising. The average debt among rural households increased from INR 32,522 (USD 394) in 2012 to INR 59,748 (USD 723) in 2018, which is an 84 percent increase. Similarly in urban households, the average amount of debt increased by 42 percent. At the end of 2022 the liabilities of households in India increased by INR 6 trillion increasing overall debt of households to INR 86.3 trillion. The rise in liabilities indicates that families have been taking more loans.

What is also poignant in the AIDIS (2019) data is that the ratio of debt to assets increases as one moves down the asset holding categories. That is, the lower the value of assets held, the higher the ratio of debt to that value. In rural India, the debt-asset ratio averages 3.8 percent across all groups; it is as high as 39.1 percent for the bottom percent households and only 2.8 percent for the top 10 percent households. In urban India, where the average for all groups is 4.4 percent, in the bottom 10 percent the debt is five and a half times greater than the value of assets held. This means that the lower the value of assets held, the greater the degree to which that ownership is cancelled out effectively by debt liabilities.

Furthermore, the AIDIS shows that institutional debt is far more prominent than debts from non-institutional credit agencies for higher asset ownership groups. This demonstrates that a small majority of the Indian population dominates in the ownership of assets but also has disproportionate access to lower cost credit.

5. The Opportunity and the Challenge: Financial Technology

The GOI has leveraged technology to make accessing financial services easier for underbanked populations. In 2015, the Jan Dhan-Aadhar-Mobile (JAM) trilogy was introduced with the aim of integrating PMJDY with the Aadhar biometric ID initiative and mobile technology. Aadhar is the world's largest biometric ID system, providing identification to many of India’s undocumented individuals. Aadhar combined with the Jan Dhan account and mobile number linkage has made opening a bank account much easier, avoiding the difficulties linked with Know Your Customer (KYC) requirements. This coincided with the launch of Cashless India (2016) - part of the Digital India flagship programme - promoting cashless payment modes such as banking cards, mobile wallets, and digital transfers. As part of the Cashless India initiative, technology has been developed to allow instant transfers for those without a data connection and smartphone. Progress in digital financial infrastructure coupled with the impacts of the Covid-19 pandemic propelled India’s adoption of digital financial technology with more than 80 million adults making their first digital merchant payment after the start of the pandemic.

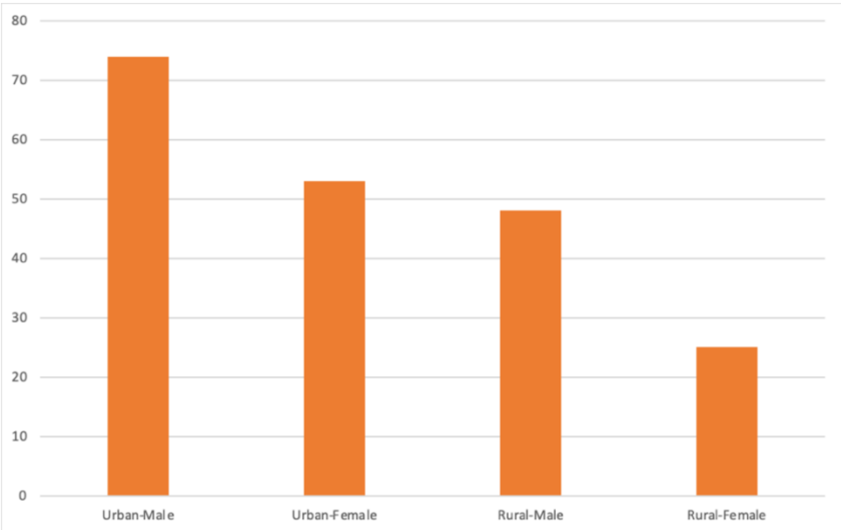
Increased bank account usage has been shown to further drive poverty reduction in addition to increased bank account access. Account usage remains a challenge to India’s financial inclusion. India has the highest share of people who have accounts but do not use them - no income or withdrawal in the past year. Findex data shows that 70 percent of account holders did not make a single digital payment using payment cards, mobile phones, or the internet - representing one of the world’s highest shares. By contrast, in China just 4 percent of adults with an account did not make a digital transaction. Even though the pandemic increased the adoption of digital transfers this adoption was by no means equal across digital divides.

The digital divide is pervasive and while India is set to become the world’s most connected nation, at the same time the digital divide across geography, gender, income, age, and caste continues to remain unacceptably high. The Mobile Gender Gap Report (2023) reported a continued decrease in the gender divide in mobile phone access, that 81 percent of the adult male population and 72 percent of the adult female population are mobile phone owners in India. Modest decreases in the gender gap in mobile internet adoption have also been observed. However, in 2022 mobile internet adoption stalled and remained around 30 percent of women users with a significant gender gap of 40 percent. Such digital divides are more prominent across geographies.

The NFHS-5 data shows that there is a clear gap in mobile phone ownership and mobile internet access across rural and urban locations. Urban males have greater ownership of mobile phones and access to mobile internet than urban women, rural men and rural women as shown in Figure 6. In 2021, only 37 percent of the rural population were active internet users compared to 69 percent in urban areas. It is also important to note that further gaps in mobile phone adoption and usage is also based on age and caste group.

Reading and writing skills, digital literacy and mobile internet awareness have been identified as major barriers to the adoption of new technologies. It is noteworthy that of those who do not use the internet, 57 percent of men and 61 percent of women do not even know it exists. As India moves towards financial inclusion policies based on technology and a path towards a cashless India, the digital divide provides a major barrier in achieving the desired equitable and inclusive growth.

Figure 6: Individuals who have ever used the Internet



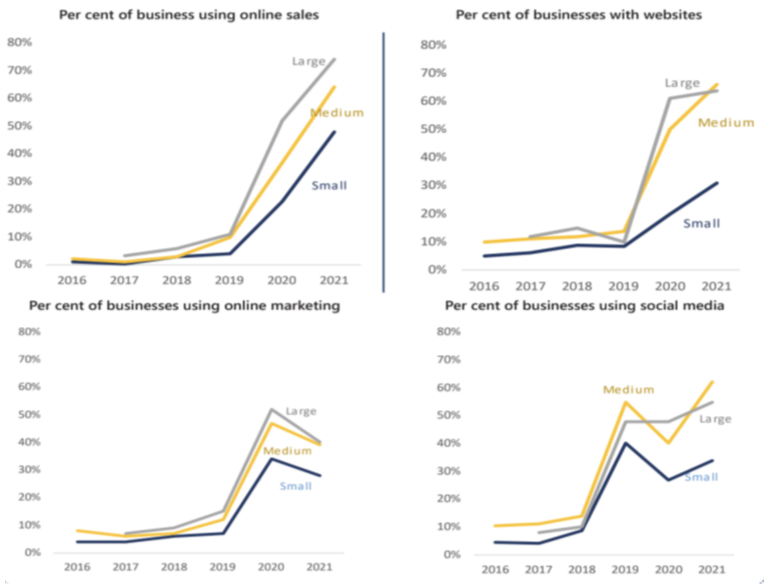
Source: [Observer Research Foundation (2022)]

6. Digital Inclusion in the Economy

During the pandemic the digital divide between large and small businesses has decreased. Most businesses which were offline have now gone online. Internet penetration increased by

50 percent from 32 to 48 per 100 people. Nevertheless, small, and medium sized businesses suffered greatly during the pandemic. Larger businesses with greater savings and access to finance were more resilient and had a greater ability to adapt. This is shown in the digital divides among businesses in utilising digital tools.

Figure 7: Increase Digital Divides among Businesses



Source: [State of India's Digital Economy Report 2023]

Through a concerted policy effort and the externality of the pandemic, connectivity in India has increased at a fast but unequal rate. The telecommunications market is the second largest globally with over 1.77 billion connections and the fastest growing in the world. Wireless internet subscriptions have increased from 248 million in 2014 to over 820 million in 2022. The amount of time online by Indians is similar to the average user in G20 countries.

The unequal spread of digital technologies has largely been due to the poor physical infrastructure in terms of roads and connectivity. This has also led to an uneven spread in the availability of internet services and consequently the use of digital financial services in the country. There has been a noticeable increase in internet access with internet penetration increasing from 32 per 100 to 48 per 100. Yet even among internet users, the use of smartphones is still limited. In addition, availability of internet is limited by geography with only 37 percent active internet users in rural areas compared to 69 percent in urban areas.

Customer grievance redressal is the third prong of the RBI's current financial inclusion strategy. Given the advances in India's digital infrastructure with programmes targeting marginalised communities and the great opportunities digital technology holds for financial inclusion, digital safety is paramount for users to feel safe and adopt new technology.

As India's digital infrastructure has grown at such a rapid speed at low costs, cybersecurity has not advanced in tandem. In 2022, the IBM Security Breach report estimated that the average data breach in the country reached a record cost of INR 175 million (approx. 2.2 million USD). Among the G20 countries, India has the highest percentage of internet users who have experienced cybercrime. Of the cybercrimes, financial services were the most vulnerable with 67.8 percent of cybercrimes due to online financial frauds, the next most prominent was social media with 13.4 percent. What is also striking is that the majority of cybercrimes are targeting women and children and the financial sector. The instant phone payment service, Unified Payment Interface (UPI), has seen a fourfold increase in fraud complaints. India's techno-economic approach has resulted in mobile data networks being optimised for coverage but not quality. The poor financial health of the telecom sector and low revenue from a price sensitive market means that investment in infrastructure has not caught up.

The dynamic nature of digital technologies requires a constant upgradation of the laws and regulations to keep pace with changing technology. The main laws that govern data protection and digital financial services are the Information Technology Act (2000) which was amended in 2008. The Information Technology Rules 2021 further enhanced the scope of the Act by allowing individuals to address their grievances and demand compensation when their rights are infringed. The National Cyber Security Policy 2013 was created to help public and private organisations to protect themselves from cyber-attacks. It is supposed to be a dynamic policy to protect and improve India's cyber ecosystem. National Cyber Security Strategy 2020 is an effort to further improve cyber security by allowing for audits to better review their cyber security architecture and knowledge. The policy is still under development and pending review by the National Security Council Secretariat.

Experts suggest a coordinated effort by all agencies concerned with digital infrastructure will be required to ensure digital safety. They suggest a collaboration with Industry specialists to get a better understanding and to build awareness among people about best practices in digital safety. Safety of digital transactions becomes even more important for financial inclusion as people who are already sceptical about digital transactions will completely avoid them if they are considered unsafe.

7. Policy Recommendations

In a large and diverse country like India, ensuring equitable access to resources is always a major concern. This holds true for financial inclusion. For improved financial inclusion, this report suggests the following policy recommendations:

1. **Improve approachability and ease of information flows at banks to ensure better usage of bank accounts**

   Providing financial services to the poor and marginalised population needs solutions that tackle the root of these challenges. These can be through better products, better financial protection, improved information flows, and more accessible and approachable institutions. The number of people who now own back accounts is not matched by an increase in the usage of accounts. A lack of awareness and the poor quality of services has negatively impacted the usage of bank accounts. One way of addressing this situation is by ensuring banks are more approachable and accessible for customers from diverse backgrounds. This could be done through sensitization training for bank employees and financial literacy training for customers. A more accessible banking system will allow for better information flows from banks to customers. It is also important to build products which address the specific needs such as privacy for women account holders.

2. **As digital inclusion has become synonyms with financial inclusion, laws and regulations on data privacy and cyber security need to be updated to ensure personal safety**

   Digital technology is dynamic and constantly evolving and as digital inclusion has become conducive to financial inclusion it is pertinent to ensure data and security of financial transactions. There needs to be a mechanism to ensure that the regulations passed are followed and new guidelines and regulations are updated on a regular basis.

3. **Increase in digital transactions has created data and information about people's credit worthiness; these need to be leveraged to create better customised credit products**

   Digital technology also provides a way of looking at inclusion beyond account ownership. The digital expansion and availability of data on financial transactions provides an opportunity to build customised products and services. Lack of availability of credit history which was a major drawback in the provision of credit can be addressed through these resources.

4. **Develop financial products such as insurance with a greater gender intentional lens for more inclusive products**

   Financial products need to be created with a gender intentional approach. For example, for insurance there is evidence across states in the country of the gender divide in the enrolment of insurance schemes. Women are less likely to avail care at private hospitals and for tertiary care due to existing social and cultural norms. Government insurance programmes cover the family as a unit and hence most families tend to prioritise the health of male members over the health of its female members. These realities need to be addressed as we design insurance policies in the country.