



CERTIFICATE

This is to certify that the project work titled “Financial Inclusion” submitted by M.Murali Krishna Naga Bhaskar, III B.Com(GEN) with H.T.No.193338100018 has been carried out under my supervision during the academic year 2021-2022.

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PROJECT ON

FINANCIAL INCLUSION

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**Departement of Commerce
2021-2022**



CERTIFICATE



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*Has the project of **Financial Inclusion**
during the academic year 2021-2022 and
has submitted the bonafied record*

Sign of Faculty

Sign of Examiner

Sign of HOD

**A Student on Financial Inclusion
Project Work(V Semester) 2021-2022**



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Financial

Inclusion

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FINANCIAL Inclusion

Financial Inclusion

Financial Inclusion is defined as the availability and equality of opportunities to access financial services [1] It refers to a process by which individuals and businesses can access appropriate affordable and timely financial products and services. These include banking loan equity and insurance products. [2] [3] Financial Inclusion efforts typically target those who are unbanked and underbanked and directs sustainable financial services to them [5] Financial Inclusion is understood to go beyond merely opening a bank account. It is possible for banked individuals to be excluded from financial services. [4] Having more inclusive financial systems has been linked to stronger and more sustainable economic growth and development and thus achieving financial inclusion has become a priority for many countries across the globe [5]

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In 2018, it was estimated that about 1.7 billion adults lacked a bank account. [6] Among those who are un-banked a significant number were women and poor people in rural areas and often those who are excluded from financial institutions, face discrimination and belong to vulnerable or marginalized populations.

Due to the lack of financial infrastructure many under-served and low-income communities suffer. Specifically, the lack of proper information can be detrimental to low income communities and expose them to financial risks. For instance, payday loans target low-income persons who are not adequately informed about interest rates and compound interest. They become trapped and indebted to these predatory institutions.

②

The public sector spearheads outreach and education for adults to receive free financial services such as education, tax preparation and welfare assistance - nonprofit organizations dedicate themselves to serving underserved communities through private resources and state funding. within California state legislation allows for grants to be disbursed during the fiscal year and non profits can apply for additional funding. Bill AB-1232 is an example of the state,



History

The term financial inclusion has gained importance since the early 2000s, a result of identifying financial exclusion and its direct correlation to poverty according to the World Bank. [10] The United Nations defines the goals [11] of financial inclusion as follows.

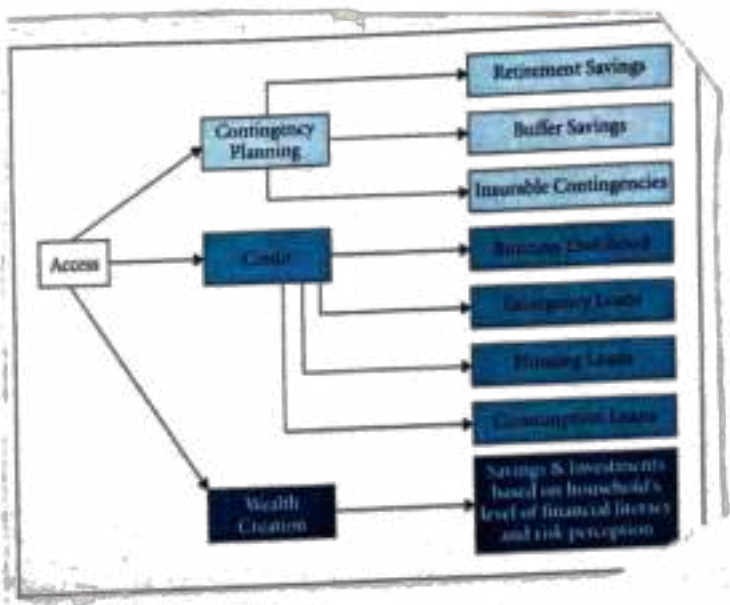
- Access at a reasonable cost for all households to a full range of financial services, including savings or deposit services, payment and transfer services credit and insurance.
- Sound and safe institutions governed by clear regulation and industry performance standards.
- Financial and institutional sustainability, to ensure continuity and certainty of investment.
- Competition to ensure choice and affordability for clients.

Former United Nations Secretary-General Kofi Annan, on 29 December 2005, said: The stark reality is that most poor people in the world still lack access to sustainable financial services, whether it is savings, credit or insurance. The great challenge is to address the constraints that exclude people from full participation in the financial sector. Together we can build inclusive financial sectors that help people improve their lives.

In 2009, former United Nations Secretary-General Ban Ki-moon appointed Queen Maxima of the Netherlands as the United Nations Secretary-General's Special Advocate for Inclusive Finance for Development (UNSGISA), housed in the United Nations Development Programme (UNDP). As the UN Secretary-General's Special Advocate Queen Maxima is a leading global voice on advancing universal access to and responsible usage of affordable effective and safe financial services.

Since 2011, more than 1.2 billion people have gained access to financial services - and therefore have a better chance to transform their lives. Leading up to the adoption of the Sustainable Development Goals (SDGs) in

2015 the UNSGISA and UN member-state partners worked to ensure financial inclusion strong presence within the agenda. As a result financial inclusion is now referenced in seven of the 17 goals as a key enabler for fulfilling the SDGs, and the General Assembly has passed a resolution stressing its importance.



measurement of Financial Inclusion

several surveys and datasets have worked to measure various aspects of financial inclusion including access and usage of financial services. [12] [14] [15] some sources such as the world Bank's Global Findex database or the Gates foundations' Financial Inclusion Tracker surveys are household surveys attempting to measure usage of financial services from the consumers perspective. [12] other data sources like the International Monetary Fund's Financial Access surveys focus more on the firm side measuring the supply of financial institutions in a country. [14] still others focus more on the regulatory environment for financial access such as the CEMA; mobile money Regulatory Index, or the world Bank new adjunct, Doing Business Report. [15] [16]

These data have been used in a range of ways, from donor organization, such as

millennium challenge corporation.

Incentivizing country government to do more to improve financial inclusion, to individual countries better understanding where they need to target interventions. [17][18] The United Nations uses two of these indicators (from Findex and the Financial Access surveys) to measure sustainable development goal 8.10 [19].

Financial Inclusion in the Philippines

Four million unbanked Filipinos are seen to benefit from the nascent credit scoring industry, a development that is seen to serve the people that is classified at the bottom of the economy an easy access to credit once the service is available to the public. Marlo R Cruz, president and chief executive officer of CIBI Information Inc. (CIBI) as one of the accredited credit bureaus in the Philippines, highlighted that this is expected to unlock much economic potential in sectors of the economy that are crucial for inclusive growth.

Philippine Statistics Authority The country's 2015

poverty incidence (the proportion of people below the poverty line versus the total population) is at 26.3% while the subsistence incidence (the proportion of Filipinos in extreme or subsistence poverty) is at 7.2%

This means that there are around 26 million Filipinos who are still living below the poverty line.

Financial Inclusion In India History

The concept of financial inclusion extending financial services to those who typically lack access, has been a goal for the government of India since the 1950s.



(12)

9

As per Cruz many people still do not realize that the value of having a credit opportunity is synonymous to generating financial power. Creditworthiness is the same as to owning a keycard that can be used in navigating to the society of better possibilities. [2]

The Bangko sentral ng Pilipinas :- (BSP) reports on financial inclusion initiatives and financial inclusion in the Philippines summarized the country accomplishments and significant milestones in financial inclusion. These reports show that 4 out of 10 Filipinos saved money in 2015 (up from 2 out of 10 in 2009). Among Filipino adults 24.5% never saved and only 31.3% (up from 26.6%) have an account at a formal financial institution. The lack of enough money was cited as the main reason for not having a bank account. [2] While there has been significant progress, much more must be done.

Digital Financial Inclusion

Technology - enabled innovations represent an opportunity to promote financial inclusion.

Inclusive digital financial services refer to mobile money, online accounts, electronic payment; insurance and credit combinations of them and newer financial technology (fintech) app, which can reach people who were formerly excluded. For example digital financial services can provide low-income households with access to affordable and convenient tools that can help increase their economic opportunities. [12]

There is evidence that digital financial services can empower women to earn more and build assets.

helping address that 35% of women worldwide - approximately 980 million - remain excluded from the formal financial system. [73]

Digital financial services have been shown to help give women greater control over their own finances including safe, convenient and discreet access to banking accounts. [74]

This greater financial power can increase gender equality and economic growth. [75]



Tracking financial inclusion through budget analysis

While financial inclusion is an important issue it may also be interesting to assess whether such inclusion as enshrined in policies are actually reaching the common beneficiaries since the 1990s, there has been serious efforts both in the government agencies and in the civil society to monitor the fund flow process and to track the outcome of public expenditure through budget tracking organisation like International Budget partnership (IBP) are undertaking global surveys in more than 100 countries to study the openness (transparency) in budget making process. [76] There are various tools used by different civil society groups to track public expenditure. Such tools may include performance monitoring of public services, social audit, and public accountability surveys. In India the institutionalisation of Right to Information (RTI) has been a supporting tool for activists and citizen groups for budget tracking and advocacy for social inclusion. [76]

Financial Inclusion and bank stability

The theoretical and empirical evidences on the link between financial inclusion and bank stability are limited. Banking literature indicates several potential channels through which financial inclusion may influence bank stability. A recent study appeared in Journal Economic Behaviour & Organization [FTI] a robust positive association between financial inclusion and bank stability. The authors show that the positive association is more pronounced with those banks that have higher retail deposit funding share and lower marginal costs of providing banking services and also with those that operate in countries with stronger institutional quality.



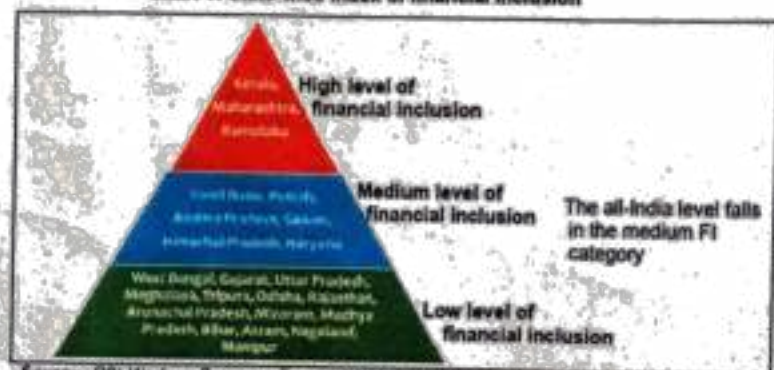
Evidence on the effectiveness of financial inclusion interventions.

Results from research on the effectiveness of financial inclusion programs to improve economic, social, behavioral, and gender related outcomes in low- and middle-income countries have been mixed and programs to improve access to financial services often have small or inconsistent effects on income health and other social outcomes. Programs geared toward savings opportunities have had small but more consistently positive effects and fewer risks than credit-oriented programs.^[18]

See also

- AFI Global Policy Forum
- Alliance For Financial Inclusion.
- Financial deepening
- Financial ethics.
- Financial social work.
- The Maya Declaration.

Chart 1: State-wise Index of financial inclusion



Source: RBI Working Paper on Financial Inclusion in India: A case-study of West Bengal by Sadhan Kumar Chattopadhyay

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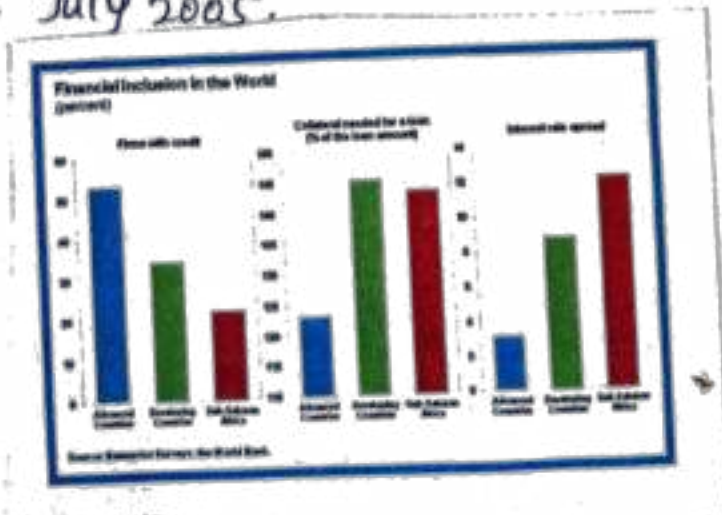
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Small Industries Development Bank of India.

Small Industries Development Bank of India (SIDBI) is the apex regulatory body for overall licensing and regulation of micro, small and medium enterprise finance companies in India. It is under the jurisdiction of Ministry of Finance, Government of India, headquartered at Lucknow and having its offices all over the country. Its purpose is to provide refinance facilities to banks and financial institutions and engage in term lending and working capital finance to industries, and serve as the principal finance institution in the micro, small and medium enterprises (MSME) sector. SIDBI also coordinates the functions of institutions engaged in similar activities. It was established on 2 April 1990 through an Act of Parliament. It is headquartered in Lucknow. SIDBI

is one of the four All India Financial institutions regulated and supervised by the Reserve Bank of India. Other three are India Exim Bank, NABARD and NHB. But recently NHB came under government control by taking more than 51% stake. They play a statutory role in the financial markets through credit extension and refinancing operation activities and cater to the long-term financing need of the industrial sector. [5]

Agency overview

Formed

2 April 1990, 31 years ago.

Type

Regulatory Body

Jurisdiction

Ministry of Finance

Headquarters

Government of India.
Lucknow Uttar Pradesh
India.

Agency executive

Sivasubramanian Ramani
IAS Chariman MD
www.sidbi.in [5]

Website

SIDBI is active in the development of micro finance institutions through SIDBI Foundation for micro credit and assists in extending microfinance through the Micro-Finance institution (MFI) route. Its promotional development program focuses on rural enterprises promotion and entrepreneurship development. [5][6]

In order to increase and support money supply to the MSE sector, it operates a refinance program known as institutional finance program. Under this program, SIDBI extends Term Loan assistance to banks, Small Finance Banks and non-banking financial companies. Besides the refinance operations, SIDBI also lends directly to MSMEs. [7][8]



NON-Financial intervention

As part of non-financial intervention in the MSME sector, SIDBI had also undertaken various measures in the past. Recently in association with credit rating agency CRISIL and credit information company Transunion CIBIL it has introduced CRISIDEX and MSME Pulse.

CRISIDEX India's first sentiment index for micro and small enterprises (MSEs) has been developed jointly by CRISIL & SIDBI. It is a composite index based on a diffusion index of 8 parameters and measures MSE business sentiment on a scale of 0 (Extremely negative) to 200 (extremely positive). The crucial benefit of CRISIDEX is that its readings will flag potential headwinds and changes in production cycle and thus help improve market efficiencies. And by capturing the sentiment of exporters and importers, it will also offer actionable indicators of foreign trade. (9/10/17).

SIDBI in association with TransUnion CIBIL, launched MSME Pulse and microfinance pulse launched by Equifax, a quarterly report on MSME credit activity for closely tracking and monitoring the MSME segment in the country. The report is based on a study done on over five million active MSMEs who have access to formal credit with line credit facilities in the Indian banking system.

SIDBI has launched the Udyami Mitra Portal to improve accessibility of credit and handholding accessibility of credit and this portal under the portal entrepreneurs can apply for loan without physically visiting any bank branches track and their application status and avail multiple loan benefits. It also has facility for uploading all necessary documents.

Through the portal the MSMEs can also seek handholding support for getting finance. SIDBI has also entered into an arrangement with CSC e-governance services (CSCEGS) to take ~~at~~ underserved MSMEs.

CSCEGS is a special purpose vehicle (SPV) set up by ministry of electronics and IT (MeitY) which acts as connect point for various digitally aligned services to villages in the country. [14].

