A3 Financial inclusion is where individuals & businesses have access to useful & affordable financial products & services that meet their needs.

⇒ However there are various Challenges —

(i) For rural / farmers —

a) Lack of banking infrastructure / Financial intermediaries in rural areas.

b) Collateral :- Lack of collateral with poor or marginal families in both urban & rural areas.

c) No product specification :- No special package / product for rural / farmers / poor people.

d) Lack of awareness :- About benifits, digital literacy low.

(ii) MSMEs —

a) Loans to big corporates :- Often banks lend to big corporates, denying MSMEs credit.

b) No collateral, special loan package for them.

Differential banking can help. However their reach is limited. Ex. Payments bank can't provide credit cards & one can They can be of help to Small Since they can't lend, Commercial increase its reach. Differential ba Savings, opening account, provide Service & issue debit cards.

Both Commercial & differentiated b together to promote financial inc

provide ~~do~~ credit cards & one can deposit only 1 lac. They can be of help to small & marginal farmers. Since they can't lend, commercial banks too should increase its reach. Differential banks can help in savings, opening account, provide ~~bank~~ online banking service & issue debit cards.

Both commercial & differentiated banks ~~should~~ should work together to promote financial inclusion in India.