



## RBI's Five Strategic Priorities for India's Financial Future

**For Prelims:** [Global Fintech Festival](#), [Reserve Bank of India](#), [Financial Inclusion Index](#), [Pradhan Mantri Jan Dhan Yojana](#), [Unique Lending Interface](#), [JAM trinity](#), [Artificial Intelligence](#), [National Payments Corporation of India](#), [Direct Benefit Transfer](#), [Foreign Direct Investment](#)

**For Mains:** Growth Opportunities in Financial Services in India, Financial Inclusion, Banking Sector

[Source: ET](#)

### Why in News?

At the [Global Fintech Festival \(GFF\) 2024](#) in Mumbai, [Reserve Bank of India \(RBI\) Governor Shaktikanta Das](#) outlined **five strategic priorities for India's financial future**, underscoring the country's ambitious plans to establish itself as a leading global economy.

### What are the Five Priorities for India's Financial Future?

- **Financial Inclusion:** RBI Governor highlighted the significant progress in financial inclusion, with the [RBI's Financial Inclusion Index](#) rising from **53.9 in March 2021 to 64.2 in March 2024**.
  - The [Pradhan Mantri Jan Dhan Yojana \(PMJDY\)](#), a flagship financial inclusion initiative, has been central to this progress, with over **530 million bank accounts opened**, 66% in rural and semi-urban areas, and **55% benefiting women**.
  - Looking ahead, the RBI Governor stressed the importance of leveraging **technology over the next two decades to address the financial needs of underserved regions**, highlighting the crucial role of fintech companies in bridging gaps and ensuring seamless access to financial services.
- **Enhancing Digital Public Infrastructure (DPI):** The second priority outlined was the enhancement of [DPI](#), which he identified as a key driver in integrating advanced technologies into India's financial system.
  - Highlighted the **RBI's pilot project on the Unique Lending Interface (ULI)**, which is set to be launched on a full scale soon. This initiative, combined with the existing [JAM \(Jan Dhan-Aadhaar-Mobile\) trinity](#) and [Unified Payments Interface \(UPI\)](#), represents a new era in India's financial journey.
  - DPI has the potential to revolutionise financial services in India, bringing greater financial inclusion and efficiency across the country.
- **Strengthening Cybersecurity:** In an increasingly digital world, [cybersecurity](#) is a **critical pillar in safeguarding India's financial ecosystem**.
  - Real-time monitoring and regulatory compliance are essential, especially with the recently enacted [Digital Personal Data Protection Act 2023](#), which empowers individuals with greater control over their data, thereby enhancing trust in digital financial services.
  - Banks and fintech firms, particularly [Non-Banking Finance Companies \(NBFCs\)](#), are expected to adopt a **customer-centric approach, ensuring transparency in financial products** and fair lending practices.
    - There is a need for continuous vigilance against cyber threats and the importance

of promoting cybersecurity awareness to build a secure digital economy.

- **Promoting Sustainable Finance:** The RBI Governor highlighted **RBI's initiatives like [sovereign green bonds](#) and [green deposits](#)** as steps towards promoting sustainability in the financial sector, while noting the need for further expansion of the green bond market.
  - Emphasised the transformative role of technology, particularly **[Artificial Intelligence\(AI\)](#) and [big data](#)**, in assessing environmental risks and accelerating the transition to sustainable finance.
  - Fintech firms are expected to lead this transition, positioning India as a sustainable finance leader.
- **Reinforcing Financial Infrastructure:** RBI Governor underscored the need to strengthen India's financial infrastructure, with a focus on **[cross-border payments](#)**, and highlighted the RBI's efforts to make UPI and RuPay global.
  - He cautioned about the careful adoption of AI, and emphasised the importance of innovation in reinforcing India's financial infrastructure, including the potential of the **[Internet of Things](#)**.

## What is the Global Fintech Festival 2024?

- **About:** The GFF 2024 stands as one of the largest and most influential fintech conferences globally. Organised annually by the **[Payments Council of India \(PCI\)](#), [the National Payments Corporation of India \(NPCI\)](#)**, and the **Fintech Convergence Council (FCC)**.
  - Central to GFF is the **Global Fintech Awards (GFA)**, which recognizes exceptional fintech initiatives and contributions from around the world, celebrating innovation and excellence in the industry.
- **Fifth Edition GFF 2024 Theme: “Blueprint for the Next Decade of Finance: Responsible AI | Inclusive | Resilient”.**
  - The GFF 2024 in Mumbai showcased India's fintech growth, with over 11,000 startups and USD 6 billion in funding in the last three years.

## What is the Current State of India’s Financial Services Industry?

- **About:** India’s financial services industry is characterised by rapid expansion and diversification. The sector includes **commercial banks, insurance companies**, NBFCs, cooperatives, pension funds, mutual funds, and smaller financial entities.
  - Recent developments have seen the introduction of new entities such as **payment banks**, although **commercial banks remain dominant, holding over 64% of the total assets**.
- **Developments:**
  - **Unified Payments Interface (UPI):** Recorded 12.10 billion transactions worth Rs 18.28 lakh crore in February 2024.
  - **Immediate Payment Service (IMPS):** Recorded 534.6 million transactions worth Rs 5.58 trillion in February 2024.
- **Government Initiatives:**
  - **Credit Guarantee Scheme:** Revamped in 2023 with an inflow of Rs 9,000 crore to **[support MSMEs with collateral-free loans](#)**.
  - **International Payments: [NPCI International Payments \(NIPL\)](#)** partnered with Liquid Group to enable **[QR-based UPI payments in 10 countries](#)** (Malaysia, **Thailand, Philippines, Vietnam, Singapore, Cambodia, South Korea, Japan, Taiwan, and Hong Kong**).
  - **e-RUPI:** Launched in August 2021 as a digital payment solution via QR code or SMS string, facilitating one-time payments.
  - **Financial Inclusion:** Programmes such as **[Deendayal Antyodaya Yojana - National Rural - Livelihoods Mission \(DAY-NRLM\)](#)**, **[Direct Benefit Transfer, Atal Pension Yojana](#)** among others have accelerated the digital revolution and brought more citizens, especially in rural areas, within the ambit of digital financial services.
  - **Inter-Ministerial Steering Committee (IMSC):** Established 2018, under the **Department of Economic Affairs (DEA)** to address fintech development issues and enhance regulatory flexibility.
  - **Joint Working Groups (JWGs):** Foster fintech collaboration by facilitating faster

remittances and exploring connectivity between India's UPI and international payment platforms.

▪ **Future Prospects:**

- **Private Wealth Management:** Expected to grow significantly, with 16.57 lakh [High Net-Worth Individuals \(HNWIs\)](#) anticipated by 2027, making **India the fourth-largest private wealth market globally by 2028.**
- **Insurance Market:** Projected to reach USD 250 billion by 2025, with potential for USD 78 billion in additional life insurance premiums from 2020-30.
- **Mutual Funds:** The [Association of Mutual Funds in India \(AMFI\)](#) aims for a nearly fivefold increase in AUM to USD 1.15 trillion and a threefold increase in investor accounts by 2025.
- **Stock Market Growth:** India's stock market regained its position as the [fourth-largest global equity market, surpassing Hong Kong](#) with a market value exceeding USD 5 trillion.

## What are the Growth Opportunities of India's Financial Services Sector?

- **Growing Demand:** The investment corpus in India's insurance sector is projected to **rise to USD 1 trillion by 2025**, reflecting strong growth prospects.
  - India is the **2<sup>nd</sup> largest Insurtech market in Asia-Pacific** and is expected to grow by 15 times to reach USD 88.4 Bn by 2030. India is poised to emerge as **one of the fastest-growing insurance markets in the world.**
  - **India is the fifth largest life insurance market** in the world's emerging insurance markets, growing at a rate of 32-34% each year.
- **Innovation:** India is broadening the reach of its financial services through various channels, including start-ups like **PhonePe**, which enhance accessibility and customer engagement.
  - Emerging [digital gold investment](#) options are gaining traction, offering new avenues for investors.
  - India's financial services sector is expanding with several key government initiatives leveraging technology. The PMJDY provides universal banking access and financial services, while the [Pradhan Mantri Gramin Digital Saksharta Abhiyaan \(PMGDISHA\)](#) boosts digital literacy in rural areas.
    - **Digital India** enhances digital infrastructure and services, and the [Aadhaar Enabled Payment System \(AePS\)](#) enables secure transactions via Aadhaar. Additionally, the **UPI integrates various banking functions into a single app for seamless transactions.**
  - India's digital lending market was worth USD 270 Bn in 2022 and is expected to reach USD 350 Bn by 2023.
  - By 2025, digital finance could boost India's GDP by USD 950 billion and create 21 million new jobs.
- **Increased Foreign Investment:** Expected growth in [Foreign Direct Investment \(FDI\)](#) and [Foreign Portfolio Investment \(FPI\)](#) will drive development, particularly in infrastructure.
  - While India has seen some capital inflow from relaxed FDI limits, there is potential for **further growth if new financing models and reduced risks are introduced.**

### **Drishti Mains Question:**

Q. Discuss the progress and future prospects of financial inclusion in India and technological advancements. How can fintech companies further contribute to financial inclusion in underserved regions?

## **UPSC Civil Services Examination, Previous Year Question (PYQ)**

Q. With reference to India, consider the following: (2010)

1. Nationalisation of Banks
2. Formation of Regional Rural Banks
3. Adoption of village by Bank Branches

Which of the above can be considered as steps taken to achieve the “financial inclusion” in India?

- (a) 1 and 2 only
- (b) 2 and 3 only
- (c) 3 only
- (d) 1, 2 and 3

**Ans: (d)**

**Mains:**

**Q.** Pradhan Mantri Jan Dhan Yojana (PMJDY) is necessary for bringing unbanked to the institutional finance fold. Do you agree with this for financial inclusion of the poorer section of the Indian society? Give arguments to justify your opinion. **(2016)**

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