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FINANCIAL INCLUSION PROGRAMS IN INDIA-A STUDY

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ABSTRACT:

Finance is very important to every economy of nation irrespective of developing, developed and under developed countries. It plays very vital role in economy and country development. Raising and proper utilization of finance both are important. One strong financial system creates sustainable growth in economy. Though the financial inclusion we can achieve conscionable and inclusive growth of the nation. Financial inclusion means delivery of appropriate financial services at an affordable cost, on timely basis to vulnerable groups who lack of access to even the most basic banking services. Financial inclusion concept first started in India in 2005 by the RBI. By the RBI, FI (Financial Inclusion) report published every year in the month of July. RBI annual FI-Index, with three sub-indices, viz, 'Access', 'Usage', and 'Quality' computed for 2021 march stood at 53.9 scale, this is 43.4 in 2017 march ending. Recently the World Bank released a Findex (Financial Inclusion Index) Database 2021, in this world bank some points are highlighted and recommendations are also given to India. In this scenario the

paper attempts to analyze for the financial inclusion, Indian government and bankers bank RBI what are the programs or initiatives adopted in recent years.

Key words: Financial Inclusion Programs, RBI, Government of India, Financial Services.

I. Introduction

Any activity we want to do it, finance is the core thing. Without financial assistance from government and financial institutions to low-income peoples or weaker sections, inequality in society increases. Though the financial inclusion, to give financial assistance for development of peoples to change their life and improve their standards of living. This is the ultimate aim of Sustainable Development Goals of UNDP. In India, government (state and central) and banks both are playing major role in financial inclusion. The benefits and schemes to reach the end peoples who are the eligible, for that purpose government taken some new initiatives through the banks like DBT. This is one of the transparent way and also reduce middle mans in system. Banks encourages the digital money and banks are also trying to give more services with less cost to customers through ATMs, Kiosks, Online money transactions, UPIs, Demat accounts and other services etc.

Based on IMF Financial Access Serve 2020 report, in India ATMs per 1,00,000 adults in the year 2013, 12.87 this is 21.44 in the year 2021. Approximately 66.58 percentage increased in the eight years. These are the indications of banks efforts for give better services to peoples. Banks main motto is better services with less cost for this purpose banks uses technology as key tool in banking services. Government of India provides so many financial inclusion programs to lower income peoples for improve the standards of living of peoples. For financial inclusion government and banks both are playing major role. The present paper focuses on financial inclusion and its programs of government of India and RBI initiatives for financial inclusion.

II. Review of literature

Some of the previous studies by the researchers related to present study as fallows.

1. **Sonu Garg**, **Dr**. **Parul Agarwal** (Jun 2014) on 'Financial Inclusion in India- A Review of Initiatives and Achievement'. They found, government, financial institutions and others efforts are not yielding the kind of result of expected. Innovative products, out of the box service models, effective regulatory norms and leveraging technology together could change the landscape of the current progress of the much needed and wanted financial inclusion programs.
2. **Paramjit Sujlana**, **Chhavikiran** (April 2018) on 'A study on Statues of Financial Inclusion in India'. They found there is a need to provide quality financial services in rural areas for economic growth as it will help rural households to fund the growth of their livelihoods.

III. Objectives of the study

This paper mainly focuses on the following objectives.

1. To study the overview of financial exclusion and financial Inclusion.

2. To study the financial inclusions schemes adopted by the Indian government.

3. To study the initiatives taken by the RBI for financial inclusion in India.

IV. Research methodology

The study has been made on the bases of secondary sources. Data collected from RBI reports, government websites world bank and IMF reports, journals and newspapers. The study covers mainly on central government and RBI initiatives for financial inclusion India.

V. Financial Exclusion and Financial Inclusion

The word of financial exclusion first time used by Leyshon in 1993 and thrift who were concerned about limited access on banking services as a result number of bank branches were closed. In1999, kempson and whyley defined financial exclusion in border sense which refers to those people who have excluded access to mainstream of financial services. Financial exclusion means a situation in which people do not have access to mainstream financial product and services such as banks accounts, credit cards and insurance policies, particularly home insurance, education loan. The effects of financial exclusion can include exclusion from other mainstream services, such as pension or saving schemes, and can also lead to debt and/or cut off from essential utilities.

The Report of the financial inclusion in January 2008 by C Rangarajan, Financial exclusion is defined as restricted access to financial services to certain segment of the society. Generally, this large section of the population comprises individuals or family falling into low-income groups, which are not able to access even the most basic banking services like bank accounts, credit, insurance, financial advisory services and payment services. So basically, financial exclusion is the situation where certain group of population is excluded or unable to access low cost an appropriate mainstream financial products and services.

Financial Inclusion

The financial inclusion term was first time used by British lexicon when it was found that nearly 7.5 million persons did not have a bank account. Financial inclusion concept first started in India in 2005 by the RBI. But financial inclusion concept is not a new one in Indian economy. Bank Nationalisation in 1969, establishment of RRBs and introduction of SHG- bank linkage programs were initiatives taken by RBI to provide financial accessibility to the unbanked groups.

Definitions

1. According to committee on financial inclusion headed by Dr. C. Rangarajan defined 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." Financial inclusion does not stand for delivery of financial services for all at all cost. But it means that the delivery of financial services and products at affordable costs of excluded sections of population and low-income groups. It plays a crucial role to remove away the poverty from the country. Financial inclusion is to provide equal opportunities to vast sections of population to access mainstream financial services for better life, living and better income. It provides path for inclusive growth.

2. World Bank Group defined financial inclusion means 'individuals and businesses have access to useful and affordable financial products and services that meet their needs, transactions, payments, savings, credit and insurance, delivered in a responsible and sustainable way'.

Meaning of Financial Inclusion

Financial inclusion means delivery of appropriate financial services at an affordable cost, on timely basis to vulnerable groups who lack of access to even the most basic banking services.
Financial inclusion is a method of offering banking and financial services to individuals. It aims to include everybody in society by giving them basic financial services regardless of their income or savings. It focuses on providing financial solutions to the economically underprivileged groups.

Financial Inclusion includes

To achieve the financial inclusion the fallowing are needed in Financial Inclusion

1. Financial literacy
2. Branch access
3. Service availability
4. Risk management or security to customers

Objectives of Financial Inclusion

The objectives of Financial Inclusion are to provide the fallowing

1. A basic no- frills banking account for making and receiving payments.
2. For saving in formal institutions.
3. For lending loans or get credit in formal way.
4. Remittances or money transfer facilities.
5. Insurance and pension facilities.

VI. Financial inclusion schemes by the Indian government

Indian government taken many schemes for financial inclusion in India, some of the important schemes as follows:

1. Pradhan Mantri Jan Dhan Yojana (PMJDY)

Hon'ble Prime Minister announced Pradhan Mantri Jan Dhan Yojana as the National Mission on Financial Inclusion on 15th August 2014, to ensure comprehensive financial inclusion of all the households in the country by providing universal access to banking facilities.

Under this, a person not having a savings account can open an account without the requirement of any minimum balance and, in case they self-certify that they do not have any of the officially valid documents required for opening a savings account, they may open a small account.

PMJDY offers unbanked persons easy access to banking services and awareness about financial products through financial literacy programmes. In addition, they receive a RuPay debit card, with inbuilt accident insurance cover of Rs. 2 lakhs, and access to overdraft facility upon satisfactory operation of account or credit history of six months.

PMJDY was conceived as a bold, innovative and ambitious mission. The inclusive aspect of this is evident from the fact that 28.70 crore (66.69%) of PMJDY accounts are in rural areas and 23.87 crore (over 55.47%) PMJDY account holders are women.

Performance of PMJDY:

The performance of PMJDY in terms of accounts opened, deposit balance and averagedeposit balance over the time is tabulated as under

Source: Department of Financial Services

S. No	Item	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21
1	No. of PMJDY accounts (in Crore)	14.72	21.43	28.17	31.44	35.27	38.33	42.20
2	Deposit in PMJDY accounts (in Rs. Crore)	15,670	35,672	62,972	78,494	96,107	1,18,434	1,45,551
3	Average Deposit per PMJDY account (in Rs.)	1,065	1,665	2,235	2,497	2,725	3,090	3,449
4	Number of RuPay debit cards issued to PMJDY account-holders (in Crore)	13.14	17.75	21.99	23.65	27.91	29.30	30.90

Observed from the above table that on major parameters, consistent progress has been observed under PMJDY over the years. Since its inception, over 42 crore new accounts have been opened and over Rs. 1,45,551 crores have been deposited by the newly banked people in the formal banking system. The number of operative PMJDY accounts has increased from 17.01 crore on March'17 to 36.26 crore on March'21. There are 55.40% womenJan-Dhan account holders and 65.99% Jan-Dhan accounts are in rural and semi-urban areas

The deposit base of PMJDY accounts has expanded over time. As on 18.08.2021, the deposit balance in PMJDY accounts is Rs. 1,46,230.71 crore this is 1,45,551 crores in march 2021 same as showed in the above table. The average deposit per account has more than Triple from Rs. 1,064 in March 2015 to Rs. 3397 in August 2021.

From Jan Dhan to Jan Suraksha

For creating a universal social security system for all Indians, especially the poor and the under-privileged the Hon'ble Prime Minister launched three Social Security Schemes in the Insurance and Pension sectors on 9th of May, 2015.

2. **Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)**

The PMJJBY is available to people in the age group of 18 to 50 years having a bank account who give their consent to join. Aadhar is the primary KYC for the bank account. The life cover of Rs. 2 lakhs is for the one-year period stretching from 1st June to 31st May and is renewable. Risk coverage under this scheme is for Rs. 2 lakhs in case of death of the insured, due to any reason. The premium is Rs. 436 per annum which is to be auto-debited in one instalment from the subscriber's bank account as per the option given by him on or before 31st May of each annual coverage period under the scheme. The scheme is being offered by the Life Insurance Corporation. And all other life insurers who are willing to offer the product on similar terms with necessary approvals and tie up with banks for this purpose. As on 30.06.2022, cumulative enrolment is over 13.11 crore under PMJJBY.

Achievements under PMJJBY (Apr 2022)

- Cumulative Enrolments – 13.11 Crore
- Female Beneficiaries – 4.52 Crore (49%) (excluding convergence)
- PMJDY A/c holders covered under PMJJBY – 3.56 Crore (39%) (excluding convergence)
- Total Rural Enrolments – 6.49 Crore (71%) (excluding convergence)
- Total Urban Enrolments – 2.71 Crore (29%) (excluding convergence)
- Cumulative No. of Claims Reported -6,21,372
- Cumulative No. of Claims Paid - 5,92,192
- Total Claim Amount Paid – Rs. 11,843.84 Crore

3. Pradhan Mantri Suraksha Bima Yojana (PMSBY)

The Scheme is available to people in the age group 18 to 70 years with a bank account who give their consent to join / enable auto-debit on or before 31st May for the coverage period 1st June to 31st May on an annual renewal basis. Aadhar would be the primary KYC for the bank account. The risk coverage under the scheme is Rs. 2 lakhs for accidental death and full disability and Rs. 1 lakh for partial disability. The premium of Rs.20 per annum is to be deducted from the account holder's bank account through 'auto-debit' facility in one installment. The scheme is being offered by Public Sector General Insurance Companies or any other General Insurance Company who are willing to offer the product on similar terms with necessary approvals and tie up with banks for this purpose. As on 30.06.2022, cumulative enrollment is over 29.01 crore under PMSBY.

Achievements under PMSBY (Apr'2022)

- Cumulative Enrolments – 29.01 Crore
- Female Beneficiaries – 12.10 Crore (48%) (excluding convergence)
- PMJDY a/c holders covered under PMSBY – 10.00 Crore (40%) (excluding convergence)
- Total Rural Enrolments – 17.86 Crore (71%) (excluding convergence)
- Total Urban Enrolments – 7.37 Crore (29%) (excluding convergence)
- Cumulative No. of Claims Reported - 1,26,505
- Cumulative No. of Claims Paid – 1,00,052
- Total Claim Amount Paid – Rs. 1986.55 Crore

4. Atal Pension Yojana (APY)

APY was launched on 9th May, 2015 by the Prime Minister. APY is open to all saving bank or post office saving bank account holders in the age group of 18 to 40 years and the contributions differ, based on pension amount chosen. Subscribers would receive the guaranteed minimum monthly pension of Rs. 1,000 or Rs. 2,000 or Rs. 3,000 or Rs. 4,000 or Rs. 5,000 at the age of 60 years. Under APY, the monthly pension would be available to the subscriber, and after him to his spouse and after their death, the pension corpus, as accumulated at age 60 of the subscriber, would be returned to the nominee of the subscriber. The minimum pension would be guaranteed by the Government, if the accumulated corpus based on contributions earns a lower than estimated return on investment and is inadequate to provide the minimum guaranteed pension, the Central Government would fund such inadequacy. Alternatively, if the returns on investment are higher, the subscribers would get enhanced pensionary benefits.

In the event of pre-mature death of the subscriber, Government has decided to give an option to the spouse of the subscriber to continue contributing to APY account of the subscriber, for the remaining vesting period, till the original subscriber would have attained the age of 60 years. The spouse of the subscriber shall be entitled to receive the same pension amount as that of the subscriber until the death of the spouse. After the death of both the subscriber and the spouse, the nominee of the subscriber shall be entitled to receive the pension wealth, as accumulated till age 60 of the subscriber. As on 31st July, 2021, a total of 321.02 lakhs subscribers have been enrolled under APY.

5. **Pradhan Mantri Mudra Yojana (PMMY)**

The scheme was launched on 8th April 2015. Under the scheme a loan of up to Rs. 50,000 is given under sub-scheme **'Shishu'**; between Rs. 50,000 to 5.0 Lakhs under sub-scheme **'Kishore'**; and between 5.0 Lakhs to 10.0 Lakhs under sub-scheme **'Tarun'**. Loans taken do not require collaterals. These measures are aimed at increasing the confidence of young, educated or skilled workers who would now be able to aspire to become first generation entrepreneurs; existing small businesses, too, will be able to expand their activates. As on 20.08.2021, Rs. 16,22,203 crores sanctioned in 30.7 crores accounts.

Target:

- Government assigns the annual targets to MLIs based on previous years' achievements. Subsequently, MLIs fix their own respective State-wise target according to their area of potential.
- The national level targets under the PMMY scheme have been consistently met since inception of the scheme, except for FY 2020-21 due to ongoing COVID-19 pandemic.

The percentage achievement in different categories under PMMY are as under:

- **Shishu** - up to Rs. 50,000/- (87% of loan accounts)
- **Kishore** - above Rs.50,000/- and up to Rs. 5,00,000/- (11% of loan accounts)

- **Tarun** - above Rs. 5 lakh and up to Rs. 10 lakh (2% of loan accounts)

6. Stand Up India Scheme

Government of India launched the Stand-Up India scheme on 5th April, 2016. The Scheme facilitates bank loans between Rs.10 lakh and Rs.1 crore to at least one Scheduled Caste or Scheduled Tribe borrower and at least one-Woman borrower per bank branch for setting up greenfield enterprises. This enterprise may be in manufacturing, services or the trading sector activities allied to agriculture. The scheme which is being implemented through all Scheduled Commercial Banks is to benefit at least 2.5 lakh borrowers. The scheme is operational and the loan is being extended through Scheduled Commercial Banks across the country. Stand Up India scheme caters to promoting entrepreneurship amongst women, SC & ST category i.e those sections of the population facing significant hurdles due to lack of advice/mentorship as well as inadequate and delayed credit. The scheme intends to leverage the institutional credit structure to reach out to these underserved sectors of the population in starting greenfield enterprises. It caters to both ready and trainee borrowers. To extend collateral free coverage, Government of India has set up the Credit Guarantee Fund for Stand-Up India (CGFSI). Apart from providing credit facility, Stand Up India Scheme also envisages extending handholding support to the potential borrowers. It provides for convergence with Central/State Government schemes. As on 23.08.2021, Rs. 26,688 crores have been sanctioned in 1,18,462 accounts.

Activities covered under the scheme

- Scheme was originally for setting up Greenfield Enterprises in trading, manufacturing and services sector.
- Loans for enterprises in ‘Activities allied to agriculture’ ex: pisciculture, beekeeping, poultry, livestock, rearing, grading, sorting, aggregation agro industries, dairy, fishery, agri clinic and agribusiness centers, food and agro-processing etc.
- Includes services supporting the above activities
- Does not include crop loans, land improvement such as canals, irrigation, wells
- A hand holding ecosystem of different agencies has been evolved for supporting prospective beneficiaries through financial training, skilling, entrepreneurship development, work shed requirement, mentoring, application filling or DPR preparation etc.

7. Pradhan Mantri Vaya Vandana Yojana (PMVVY)

The ‘Pradhan Mantri Vaya Vandana Yojana (PMVVY) has been launched by the Government to protect elderly persons aged 60 years and above against a future fall in their interest income due to uncertain market conditions, as also to provide social security during old age. The scheme is implemented through the Life Insurance Corporation of India (LIC) and open for subscription up to 31st March, 2023. PMVVY offers an assured rate of return 7.40% per annum for the financial year 2020-21 for policy duration of 10 years. In subsequent years, while the scheme is in operation, there will be annual reset of assured rate of return with effect from April 1st of the financial year in line with applicable rate of return of Senior Citizens Saving Scheme (SCSS) up to a ceiling of 7.75% with fresh appraisal of the scheme on breach of this threshold at any point. Mode of pension payment under the Yojna is on a monthly, quarterly, half-yearly or annual basis depending on the option exercised by the subscriber. Minimum purchase price under the scheme is Rs. 1,62,162/- for a minimum pension of Rs. 1000/- per month and the maximum purchase price is Rs. 15 lakh per senior citizen for getting a pension amount of Rs. 9,250/- per month.

VII. Financial inclusion initiatives taken by RBI though banks

These are some of the important in initiatives taken by RBI though banks and financial institutions as follows:

1. No Frills Account

This is a basic banking account where you keep a minimum balance of zero or a very low balance. Recently, the changes were made in the no-frills account. Also, these accounts were converted into BSBDA which is basic savings bank deposit account.

2. Basic Savings Bank Deposit Account (BSBDA)

This account does not have the facility of minimum balance account. As mentioned above, the no-frills account was also converted to BSBDA accounts. In this account, there are many services availed by the banks. Also, these services include deposit and withdrawal of cash at the bank branch. This can also be done at the respective ATMs of the bank. Furthermore, receipt and credit of money done through electronic payment or by the means of cheque. There is also a facility of ATM card or ATM cum debit card.

3. Lead Banking Scheme (LBS)

This scheme envisages the lead role for an individual bank. This includes private banks as well as public banks. So, it is with respect to the districts allotted to them. Here the lead banks act as a point of contact. It is for coordinating with the credit institutions which perform towards districts. Thus, this is done to increase the flow of small-scale industries, agriculture, and various other economic services. So, this includes the priority section in semi-urban and rural areas.

4. Business Correspondent System (BS)

These are the bank representatives that individually go to the areas that are allowed to them. Here are they have to carry out the banking tasks. These individuals will help villagers to open their bank account and perform regular transactions.

5. **Relaxed and simplified KYC norms to facilitate easy opening of bank accounts,** especially for small accounts with balances not exceeding Rs. 50,000 and aggregate credits in the accounts

not exceeding Rs. one lakh a year. Further, banks are advised not to insist on introduction for opening bank accounts of customers. In addition, banks are allowed to use Aadhar Card as a proof of both identity and address.

6. **Compulsory Requirement of Opening Branches in Un-banked Villages,** banks are directed to allocate at least 25% of the total number of branches to be opened during the year in un-banked (Tier 5 and Tier 6) rural centers.
7. **Nationalization of banks** in the year 1969 and 1980 both are come under the financial inclusion.
8. **Public sector lending targets and zero balance accounts** fall under the financial inclusion.
9. **Kisan credit cards (KCC)** for formers for lending loans from banks.
10. **Self Help groups (SHGS)** for financial development of woman especially in villages.

VIII. Conclusion

Government and RBI taken many initiatives for financial inclusion in India. Government directly and indirectly providing many financial assistances to peoples for empowering them. PMJDY, PMJJBY and Atal pension Yojana beneficiaries are increased in recent years. For encouragement of entrepreneurs in India, government provide financial assistance through some schemes like stand-up India and Pradhan Mantri Mudra Yojana, both are schemes performances are increasing. Bankers bank RBI taken many initiatives for financial inclusion though the banks and financial institutions. From the nationalization of banks to till date RBI trying to give better services to peoples. RBI annually issues Financial Index report in Juley for assessment of financial inclusion in India. Recently RBI National Strategy for Financial Inclusion 2019-2024 frame was also designed. Government and RBI taking many policies for financial inclusion. Beyond one limit financial inclusion may cause to inflation. RBI and government take necessary actions on this time to time.

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