

FINANCIAL INCLUSION- PROGRESS AND SCHEME

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ABSTRACT

Finance is very important. In developing country like India it is very important to provide finance to every person and financial inclusion means providing financial services to every person in the society. It mainly focuses on low income people and disadvantageous sections of the society. This will help us to achieve inclusive and equitable growth. In this paper the main focus is on the various schemes launched by government and their impact on Indian economy and progress of financial Inclusion.

INTRODUCTION

Financial inclusion is the pursuit of making financial services accessible at affordable costs to all individuals and businesses, irrespective of net worth and size, respectively. Financial inclusion strives to address and proffer solutions to the constraints that exclude people from participating in the financial sector. It is also called inclusive financing.

Financial Inclusion, as the name suggests, is the pursuit of delivering financial services, including payments, savings, credit, etc., to people of low-income and disadvantaged sections of the society at affordable costs.

Financial Inclusion's main **objective** is to address constraints that exclude people from participating in the financial sector & make financial services available to them to meet their specific needs without any kind of discrimination

OBJECTIVES

- To study the various schemes of financial inclusion to increase the scope of banking system in India
- To study the growth and progress of financial inclusion.

RESEARCH METHODOLOGY

The paper has been done using secondary data sources. Reports of RBI have been referred for preparing this paper.

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FINANCIAL INCLUSION SCHEMES:

1. PradhanMantriSurakshaBimaYojana

India's honourable Finance Minister ShriArunJaitley announced PradhanMantriSurakshaBimaYojana (PMSBY) to cover India's poor and underprivileged people under social security. The scheme was announced on the new government's first full budget on 28th Feb 2015. Currently it is almost impossible for poor people to buy any kind of insurance policy to due to unaffordable premiums. Once this scheme is launched insurance penetration will widen and it is believed that everyone would get a minimum basic cover.

Public sector general insurance companies and others wishing to participate will offer PMSBY scheme.

Benefits of SurakshaBimaYojana

- **Premium:** Cheapest insurance premium of just Rs. 12 per year. (As per my knowledge, this is cheapest insurance premium in the world). This amount would be auto-debited from the policy holder's account directly.

Coverage:

- Accidental death risk and full disability of Rs. 2 Lakh would be covered under this bimayojna.
- Rs. 1 Lakh coverage will also be provided for partial disability
- **Full disability includes:** Total and irrecoverable loss of both eyes/hands/feet/sight of one eye. And loss of use of hands or foot.
- **Partial disability includes:** Total and irrecoverable loss of sight of one eye or loss of one hand or foot
- During the first 45 days, claim for only death due to accident will only be accepted.
- Cover will be terminated once policy holder reaches the age of 70 years (age nearest birth day)

Eligibility:

- Age limit: 18 – 70 years
- Bank account is must

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This announcement comes after the super successful and Guinness record winning scheme Jan DhanYojana which was launched in 2014. This yojana had similar social security as the main objective which aimed to provide basic bank account in every Indian household from rural India where access to banking facility had been very difficult. PMJDY provides with zero balance saving bank account with many other benefits such as life cover and accident insurance.

Also read about soon to be launched PradhanMantri JeevanJyotiBimaYojana which will cover natural and accidental death at just Rs. 330 per year one of the cheapest in India.

Other private insurance providers in India offering low cost policies in India as of now are:

- Royal Sundaram – accident insurance @ Rs. 2 per day
- Reliance Life – One crore life cover plan @ Rs. 15 per day (450/month)
- Aviva life insurance @ Rs. 16/day

2. ATAL PENSION YOJANA

- If a person under unorganised sector feels insecure towards the post retirement income, then APY will bring a big relief for them and their family. Few of the unorganisedsector in India are forest workers, fisherman, contract and labours of small scale industry and many more.
- By enrolling in this scheme, subscribers will get monthly pension after he/she reaches the age of 60 years.

Latest update on APY as on 23Feb2016:

- As per government notification, there won't be any tax on the amount deposited under APY and can be claimed under the section 80CCD.
- Over 20 lakh individuals have been enrolled under the scheme so far.
- Over 328 Crore has been deposited till now.

Eligibility:

- The scheme benefits can be availed only by the citizens of unorganised sector.
- Bank account in must to get enrolled under APY. If you do not have any bank account then you can open zero balance savings account under PradhanMantri Jan DhanYojana.

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- Individual will have to join National Pension System (NPS) administered by Pension Fund Regulatory and Development Authority (PFRDA) in order to get benefits under this scheme
- Subscriber can contribute every month/quarter/half yearly in order to receive monthly pension after 60 years.
- Sooner someone joins, lower would be the contribution to be made and vice versa.

Age limit for joining

To join APY, an individual's minimum age should be 18 years and maximum age should be 40 years. This means that contribution should be done for 20 years when someone joins at the age of 40 years and 42 years when someone joins at the age of 18 years.

Benefits of Atal Pension Yojana:

- Subscribers of APY will get monthly pension after they reach the age of 60 years. If someone joins at the age of 18 years and contributes Rs.42 till he reaches 60 years, then monthly pension received would be Rs. 1,000.
- Pension amount will range from Rs.1,000 – Rs. 5,000.
- Auto-debit facility will also be provided. With this monthly contribution would be automatically debited from the subscriber's account.
- In case of death of the pensioner (father), the monthly pension would continue to be paid to the wife. And to the child (if both father and mother die).

Where to make contribution or get enrolled:

1. All points of presence (service providers) – banks
2. Aggregators under Swavlamban Scheme

What is government's contribution: Co-contribution of 50% of the total contribution. Or Rs. 1,000 annually whichever is lower to each subscriber. However, this contribution will be made only for 5 years i.e. till 2019-2020 provided someone joins between 01 June 2015 – 31st December 2015.

When will the scheme start: 1st June 2015

Last date of enrollment: 31st December 2015. If someone joins APY after this last date, then government contribution will not be made.

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Who cannot join Atal Pension Yojana: Individuals falling under following categories are not eligible to join APY:

1. If someone is getting benefit under any other social security scheme
2. If he/she is paying income tax

3. SURAKSHA BANDHAN YOJANA

It's a time for High Five for every Indian!! After four super successful schemes launched by Prime Minister Shri Narendra Modi earlier, another one was launched on August 01, 2015 in the name of Pradhan Mantri Sneha Bandhan Yojana now named as **Suraksha Bandhan** with an objective to encourage brothers to gift security schemes to their sisters and also enhance financial inclusion. This social security scheme would be driven by various banks and insurance companies which are offering the newly launched cheapest insurance schemes.

Benefits/Features of Suraksha Bandhan

This scheme is especially made for Raksha Bandhan festival in which brother can buy gift cheques with pre-fixed denomination and gift it to his sister. The gift cheques can be purchased any time in a year and gifted for any occasion.

Where to purchase gift card from? You can buy gift cheques from all the banks which are offering PMSBY and PMJJBY.

How will the money get deposited? Receiver of the gift card needs to visit her bank and deposit the card. If there is no bank account then zero balance bank account can be opened. You can also open zero balance account under Jan Dhan Yojana.

4. PRADHAN MANTRI JAN DHAN YOJANA

What is Jan Dhan Yojana (Bank Account for Every Indian)

Pradhan Mantri Jan Dhan Yojana (PMJDY) is an initiative implemented by Honourable Prime Minister of India Shri Narendra Modi on completing 100 days. The target is to provide bank account to every Indian household. This would be a normal savings bank account. The Yojana would be implemented in phases as follows:

Phase-1: 28 August 2014 till 15 August 2015

Phase-2: August 2015 till August 2018

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Benefits of Jan Dhan Yojana

There are many benefits of Jan Dhan account for the Indians:

1. It is a zero balance savings account.
2. Account holder will receive a kit containing cheque book, financial literacy and pass book. However this would vary from bank to bank and account usage.
3. Every account holder will get RuPay Debit card (which is India's domestic debit card) included in the welcome kit.
4. Person will also get Aadhar number on the spot.
5. Family of account holder will get accident insurance cover of Rs. 1,00,000.
6. Life cover of Rs. 30, 000 was declared as an incentive for those opening the account by 26 January 2015. This life cover would be provided by India's largest insurance company – Life Insurance Corporation of India.
7. Overdraft (loan) facility of Rs. 5000 would be provided once account holder completes 6 months and has kept account active.
8. Loan amount would be increased to Rs. 15,000 if repayment is done on-time by the person. Ofcourse this would depend on each bank.
9. Overdraft facility would benefit individuals who had been relying on money lenders charging high interest rates.
10. However in order to avoid overdraft frauds, only Aadhar linked accounts would be eligible for overdraft facility.
11. Farmers dependency on money lenders would reduce as they've been relying on money lenders especially in rural areas. Once trapped by money lenders, whole family's future is ruined.
12. Mobile banking would be available and technical platform will be built connecting all the banks and telecom operators so that customers can access mobile banking facility with ease.
13. Account holder will also get interest on deposit and access to pension and insurance products
14. Money transfer can be done across Indian bank.

15. Account transfer from one branch to another is also possible since all the accounts opened are through core banking system (CBS).

5.SUKANYA SAMRIDDI YOJANA:

With a mission to secure the financial future of the girl child, this small savings scheme SSA – was launched under the BetiPadhaoBetiBachao initiative. For the current year i.e. 2015-2016, the interest rate offered is 9.2%. For e.g. in this scheme if you invest Rs. 20,000 for 14 years, the maturity amount will be Rs. 10, 67, 528 (assuming 9.2% interest).

Parents or local guardians can open account in the name of the girl child at post offices or various banks designated by Reserve Bank of India. Moreover the interest income and investments are eligible for tax deduction under section 80C of Indian income tax act, 1961 and the scheme matures once the girl child reaches the age of 21 years. For opening the account, initial deposit of Rs. 1,000 has to be made. And next year onwards, deposit can be made for amount ranging from Rs. 100 to Rs. 1, 50, 000. Premature withdrawal is possible only when girl gets married before the maturity. The interest rate would be declared by the government every year. When the scheme was launched in the year 2014-2015, the interest offered was 9.1%.

It is now our duty to further spread the awareness of these schemes so that Indians located in remotest places can get basic access to financial services at an affordable rate.

6. KISAN CREDIT CARD

A Kisan Credit Card (KCC) is a credit delivery mechanism that is aimed at enabling farmers to have quick and timely access to affordable credit. It was launched in 1998 by the Reserve Bank of India and NABARD. The scheme aims to reduce farmer dependence on the informal banking sector for credit – which can be very expensive and suck them into a debt spiral. The card is offered by cooperative banks, regional rural banks and public sector banks. Based on a review of the working of the KCC, the government has advised banks to convert the KCC into a smart card cum debit card.

Features of the Kisan Credit Card

1. All farmers including small and marginal farmers, share croppers and tenants are eligible for the Kisan Credit Card.

2. It simplifies the screening and credit delivery process for farmers who may not be aware of banking procedures and practices. It requires one –time documentation, and all subsequent documentation is based on the farmer’s declaration of crops to be raised etc.
3. It simplifies the multi-layered credit evaluation process of urban centric credit schemes. The credit limit is based on the land holding, income and credit history of the farmer.
4. Because of the simplified documentation and screening process, the Kisan Credit Card offers quick and timely credit.
5. Offers flexible repayment schedule after the harvest season and enables rescheduling of payments in case of a bad crop season.
6. Farmer can use it to make cash withdrawals or to take loans.
7. The Credit Card is now linked to a Savings bank account so that the farmer has one single account. Any credit balance in the account earns interest.
8. Offers insurance coverage
9. Acts as a single credit facility for the farmer for all agriculture requirements

How does the KCC work?

The KCC is like a plastic credit card and can be used as such at banks, ATMs and Points of Sale. Banks issue a credit card cum passbook that carried details of the customer’s landholding, address, credit limit and validity.

The KCC allows cash credit to farmers to take care of crop related expenses like seeds, fertilizers, pesticides, electricity and diesel charges etc. It also offers term credit for allied activities like buying equipment, land development and drip irrigation.

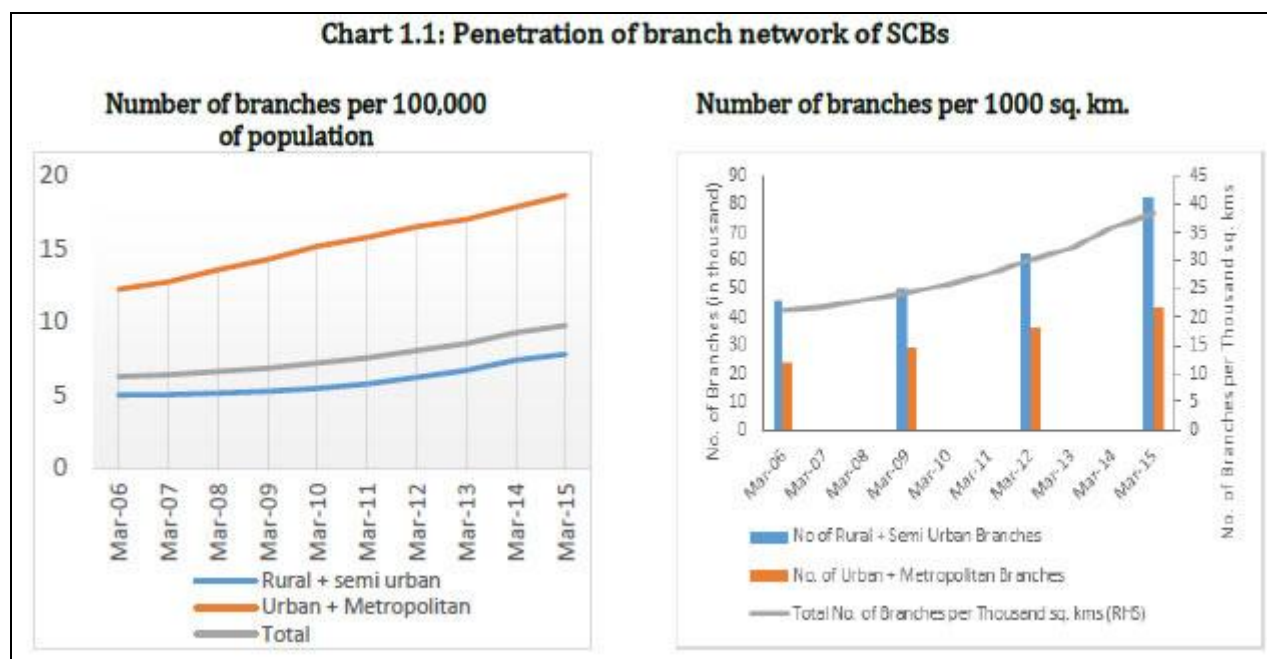
Interest rate: Loans under the KCC are offered at generally 7% for amounts under Rs. 3 lakh.

In addition, the central government offers interest subsidies that can go up to 3 % depending on the credit history of the farmer. The amount and interest rate on loans above Rs. 3 lakhs is decided by the bank.

Table 1.1: Branch Expansion of SCBs

As on March	Number of Branches			Estimated population* (in million)			Branches/ 100,000 population		
	Rural + Semi-urban	Urban + Metropolitan	Total	Rural + Semi-urban	Urban + Metropolitan	Total	Rural + Semi-urban	Urban + Metropolitan	Total
2001	44,905	20,713	65,618	851	177	1,028	5.3	11.7	6.4
2006	45,673	23,904	69,577	920	195	1,115	5.0	12.3	6.2
2010	53,086	31,072	85,158	980	211	1,191	5.4	15.2	7.2
2014	76,753	40,958	1,17,711	1,044	228	1,272	7.3	17.9	9.2
2015	82,358	43,716	1,26,074	1,061	233	1,294	7.8	18.7	9.7
June 2015	82,794	43,910	1,26,704	1,065	235	1,300	7.8	18.7	9.7

*Population estimates are based on CAGR between Census 2001 and Census 2011 data



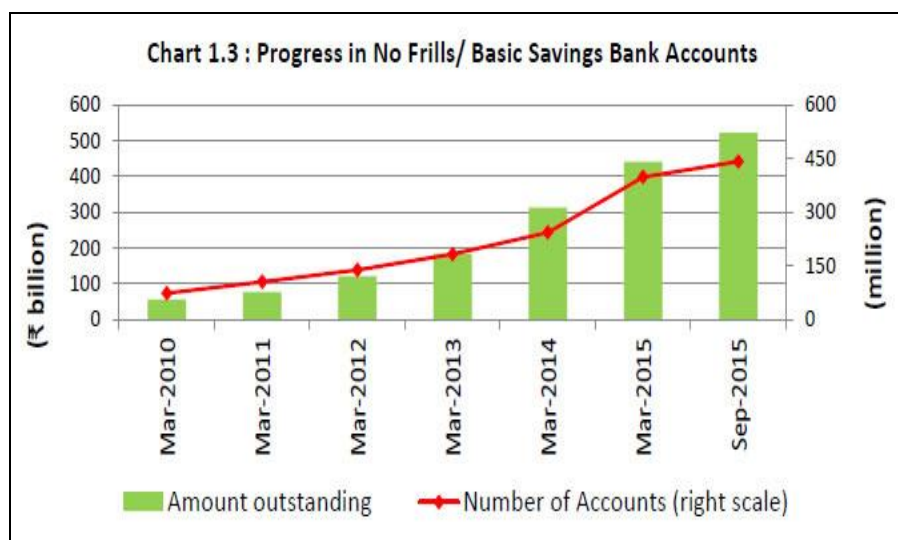
Concurrent with higher branch expansion in semi-urban and rural areas, the compound annual growth rate (CAGR) for both the number of individual saving bank deposit accounts as well as deposit amounts outstanding therein was the highest for semi-urban regions followed by rural, urban and metropolitan regions.

Population Group	Number of Individual Saving Bank Deposits Accounts (million)				Individual Saving Bank Deposits' Amount Outstanding (₹. billion)			
	2006	2010	2015	CAGR (%)	2006	2010	2015	CAGR (%)
Rural	104	167	384	15.6	962	1,703	3,601	15.8
Semi-urban	85	136	320	15.9	1,124	2,155	4,470	16.6
Urban	68	97	186	11.8	1,246	2,381	4,541	15.5
Metropolitan	71	100	180	10.9	1,838	3,731	6,476	15.0
All India	329	500	1,070	14.0	5,170	9,970	19,088	15.6

CAGR is for all scheduled commercial banks (SCBs) including regional rural banks (RRBs) during 2006-15.

In normal conditions, the availability of banking services could be predicated on the level of economic activity. The Committee examined whether the recent supply-push towards financial inclusion has made a difference. Regression analysis suggests that while per capita income is the dominant factor in explaining the penetration of banking services, the slope of the regression line has flattened over time, suggesting policy-induced improvements in supply in recent times.

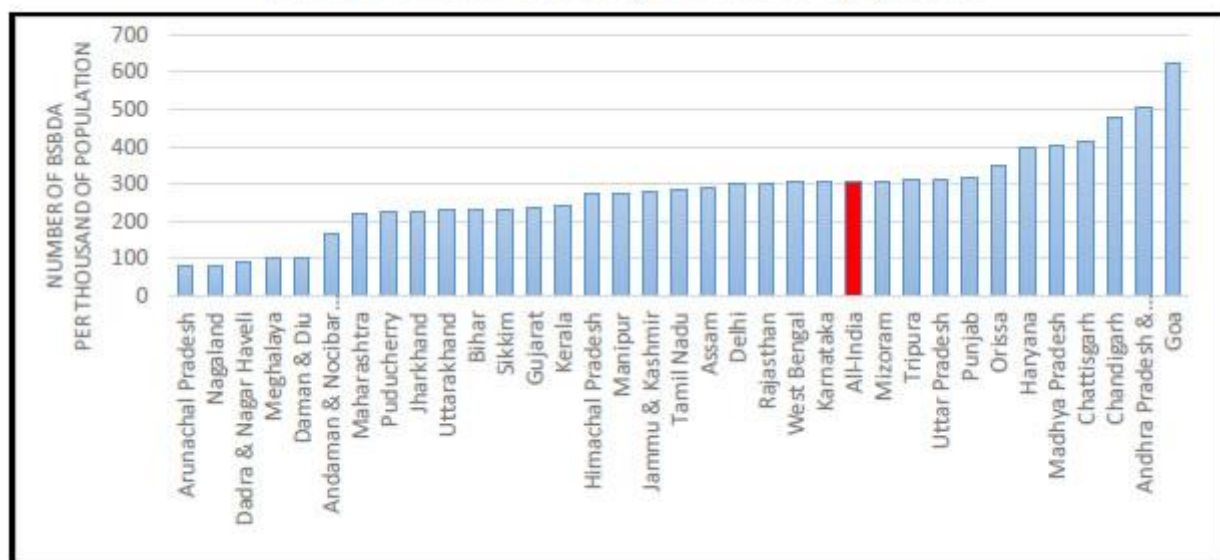
Apart from the regulatory thrust on branch expansion, in order to provide basic banking services to the marginalised sections of society, banks were advised to open 'no-frills' accounts, which were subsequently labelled as Basic Saving Bank Deposit Accounts (BSBDA). In the past five and a half years, these BSBD accounts have risen more than six-fold and nearly half of these accounts were opened through Business Correspondents (BCs).



However, eastern, north-eastern and central regions lag behind in terms of banking penetration

The relative position of various states/union territories in terms of bank branch coverage, normalised by population (demographic bank penetration) and area (geographic branch penetration), respectively, are given in. While geographic penetration can be interpreted as a proxy for the average distance of a potential customer from the nearest physical bank outlet, higher demographic penetration would imply easier access. While demographic penetration has increased one-and-a-half times during 2006-15, the north-eastern states as also states such as Bihar, Jharkhand, Uttar Pradesh, West Bengal and Madhya Pradesh are less penetrated in terms of the number of branches in relation to their population. Even the state-wise numbers for BSBD account density as on March 2015 suggest that several north-eastern and eastern states lag behind.

Chart 1.5: Number of BSBD per thousand of population



RECENT SCENERIO OF FINANCIAL INCLUSION

PARTICULARS	END MARCH 2017	END MARCH 2018
Particulars	End March 2017	End March 2018
Banking outlet in villages- Branches	50860	50805
Banking outlets in Villages>2000-BCs	105402	100802
Banking outlets in Villages<2000-BCs	438070	414515
Total Banking Outlets in Villages-BCs	543472	515317
Banking outlets in Villages- other modes	3761	3425
Banking outlets in villages- Total	598093	569547
Urban locations covered through BCs	102865	142959
BSBDA- Through branches(No. in Million)	254	247
BSBDA- Through branches(amt in billion)	691	731
BSBDA- Through BCs (No in Million)	280	289
BSBDA- Through BCs (Amt in Billion)	285	391
BSBDA- TOTAL (NO. in Million)	533	536
BSBDA- TOTAL (Amt in Billion)	977	1121
OD facility availed in BSBDA's (No. in million)	9	6
OD facility availed in BSBDA's(AMT in Billion)	17	4
KC C – TOTAL (No. in Million)	46	46
KCC- Total (Amt in Billion)	5805	6096
GCC- Total (No. in Million)	13	12
GCC- Total (amt in billion)	2117	1498
ICT-A/Cs-BC-Total Transactions(number in million)	1159	1489
ICT-A/Cs-BC-Total Transactions(Amount in Billion)	2652	4292

CONCLUSION

Financial inclusion enhances the financial system of the country comprehensively. It strengthens the availability of economic resources. Most importantly, it toughens the concept of savings among poor people living in both urban and rural areas. This way, it contributes towards the progress of the economy in a consistent manner. Many poor people tend to get cheated and sometimes even exploited by rich landlords as well as unlicensed moneylenders

due to the vulnerable condition of the poor people. With the help of financial inclusion, this serious and hazardous situation can be changed. Financial inclusion engages in including poor people in the formal banking industry with the intention of securing their minimal finances for future purposes. There are many households with people who are farmers or artisans who do not have proper facilities to save the money that they earn after putting in so much effort.

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