

FINANCIAL INCLUSION: INITIATIVE OF THE GOVERNMENT

Abstract

Financial inclusion is the process of converting the unbanked population to the banked population. This can be done by providing the banking and all other financial facilities to the neglected people to whom the financial services are not provided. This paper is a study of initiatives taken by the Indian Government in financial inclusion. In this paper, two schemes i.e. Pradhan Mantri Jan Dhan Yojana and Pradhan Mantri Mudra Yojana are discussed. PMJDY was introduced in the year 2015 to provide the banking services to the unbanked population. Under this scheme, bank officials were instructed by the Prime Minister to open the accounts of neglected people so to remove the vicious circle of poverty in the rural, semi-urban and urban areas. PMMY was introduced on April 8th 2015 by government of India as an initiative to provide the loans to small entrepreneurs at reasonable rate of interest. The performance analysis of these two schemes revealed that there is an increasing trend in number of account holders under PMJDY over the years. And also the loans provided under PMMY are increasing over the last 5 years.

Keywords: Financial Inclusion, Unbanked population, PMJDY, PMMY

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I. INTRODUCTION

Financial inclusion is the process to make the financial services available to the unbanked population at the affordable prices. This is an act of removing the vicious circle of poverty. Financial inclusion can be possible only if the population is financially literate. Financial literacy is the concept when the population is aware about the banking and financial products available in the market. To access the bank account is the first step in financial inclusion as the people will need the accounts to meet their basic needs like making the payments, for deposits, for getting the loans, insurance etc. financial inclusion is the means through which the marginalized and the underprivileged people of the society can be connected to the mainstream economy by making them financially literate and providing them the financial services at the affordable prices. India is a country of around 1.4 billion people. It was observed under the study performed by Standard and Poor's Financial Services that around 24% adults in India are financially illiterate with no knowledge about the financial services and resources available in the market. As per World Bank, around 50% of the total Indian population is financially excluded who can not avail the financial services.

In the year 2015, Government of India has taken the steps to promote financial inclusion in India. As a result of which Reserve Bank of India (RBI) and National Bank for Agriculture and Rural Development (NABARD) were instructed to open up the bank branches in the remote areas so that the people living in these remote areas can avail the financial services, issuing the Kisan Credit Cards to the farmers living in the villages. RBI was instructed to make the arrangements for the linkages of Self Help Groups with the Banks, to increase the number of ATMs in the areas so that cash can be deposited and can be withdrawn from these machines at the ease of the account holders.

As an initiative for financial inclusion, Government of India launches various schemes. Two major schemes are:

- Pradhan Mantri Jan Dhan Yojana
- Pradhan Mantri Mudra Yojana

1. Pradhan Mantri Jan Dhan Yojana: This was the scheme launched by India's Prime Minister Mr. Narendra Modi in the year 2014, with a rationale to remove the vicious circle of poverty and to empower the Indians financially. While launching this scheme, Prime Minister intimated 7.25 lakh bank employees and urges them to support in bringing the freedom from financial untouchability in the country. This scheme was launched with an estimate of the opening 7.5 crore bank accounts.

The scheme was launched with a National mission to bring financial inclusion in the nation by providing the financial services like bank deposits and bank accounts, credit, insurance, pension etc.

Various Benefits provided under the scheme to the public are:

- A zero balance Savings bank account will be opened where there will be no need to maintain the minimum balance
- Facility to earn the interest on deposits in the accounts opened under this scheme.

- Rupay Debit card will be issued to the account holders.
- Accident insurance cover worth Rs. 1 lakh will be available to the account holders. This amount is enhanced to Rs. 2 lakh to the account holders who opened their accounts on or after 28.8.2018.
- Eligible account holders will be provided with overdraft facility up to Rs. 10,000.

2. Pradhan Mantri Mudra Yojna: This scheme was launched in the year 2015, dated April 8th with a slogan **FUND THE UNFUNDED** by Prime Minister of India, with an aim to provide the loans to the unbanked population especially small entrepreneurs to make them self-reliant & self-dependent. Under this scheme, the loans will be provided to the neglected people of society who remained unbanked and could not avail the loans. In this scheme, MUDRA stands for Micro Units Development & Refinance Agency. The basic objective behind this scheme is to provide the loans to the businessmen who are running their business at the lower level as they require micro finance to meet their day to day expenses and to make necessary changes in their business so as to overall develop their business. Under this scheme, micro loans upto 10 lakhs will be provided to small entrepreneurs, repayable within 5 to 7 years, to small business owners. PMMY had collection of more than Rs 70,000 crores which was sufficient to create new jobs as well as to improve the existing business and its efficiency.

Under this scheme, the loans will be provided to the small entrepreneurs as per three broad categories as discussed below:

- **Shishu yojna:** The maximum limit of loan is Rs.50,000 under this category and this category will be beneficial for those entrepreneurs who require lesser amount to start their businesses and to pay their day to day expenses.
- **Kishor yojna:** The limit of loan has is increased from Rs. 50000 to Rs. 5 lakhs under this stage. And it is beneficial for established entrepreneurs who are already engaged in some kind of business and just need the money to expand the business. This category will be of great use for those who require this much of money to start up their new business.
- **Tarun yojna:** The maximum limit of loan is Rs.10 lakhs under this category and the entrepreneurs who have fulfilled all the necessary conditions of the scheme can get this much of money for their start-up of business.

Following facilities are available to the customers under this scheme:

1. Cash withdrawal from ATMs
2. Payments can be made by swiping the cards at the time of sale
3. Customers can use credit card to avail the overdraft facility

II. REVIEW OF LITERATURE

D. Shailla (2020), overviewed that financial inclusion is among the mainsprings of the developing India. And the author expressed that digitalization of transactions can help in making the unbanked population banked. But there a few bottlenecks in the making India digital as digitalization is a vast concept so it includes so many challenges lie limited resources to use digital transactions, lack of knowledge among the stakeholders to use these

digital platforms. And due to these bottlenecks, financial exclusion is not completely removed from the economy where the government needs to take more steps.

B Supravat & Dutta Papita(2012) confirmed in their study that generally the marginalized groups of the society is neglected and financially excluded as their livelihood is not monetized and they remain underprivileged in terms of financial services and resources due to financial illiteracy. The authors expressed the need of mass financial literacy and awareness programs by the Government of India so that these underprivileged people can get the awareness of financial products.

Joshi C Mrunal (2016) analyzed in the study that the Government of India is working for the financial inclusion in the economy by launching various schemes. And through these schemes their main focus is to uplift the rural population. But still there is a need to provide the awareness about financial resources and various banking facilities to the people.

Rajeev & Dhirender (2017) studied the impact of PMMY scheme on micro and small printing firms situated in semi urban area. The study reveals that Mudra Yojna has a great impact on micro and small printing firms. Majority of the printers upgraded their machinery by purchasing high end model by obtaining funds through Mudra Yojna. Mudra Yojna also gave sense of financial security to printers by providing funds for their day to day need.

III. OBJECTIVES OF THE STUDY

The main objectives of study are as under:

1. To understand the concept of financial inclusion.
2. To analyze the performance of Pradhan Mantri Jan Dhan Yojana implemented by the Government of India.
3. To study the role of MUDRA Yojana in uplifting the society by providing the financial services to them.

IV. RESEARCH METHODOLOGY

This study is based on secondary data and information like various articles, government reports, official websites of the government like website of PMMY yojana, PMJDY yojana. The data of 5 years from 2016-17 to year 2020-21 has been taken to analyze the performance of Pradhan Mantri Jan Dhan Yojana to analyze the total number of accounts opened and deposits under this schemes. While for MUDRA yojana, data from the year 2015-16 to 2019-20 has been taken to study the number of accounts opened and the amount of loans sanctioned under the three categories i.e Shishu, Kishor, Tarun.

V. ANALYSIS OF DATA AND INTERPRETATION

The tables below show the progress under Pradhan Mantri Jan Dhan Yojana and Pradhan Mantri Mudra Yojana. Table 1 shows the progress of PMJDY in terms of number of beneficiaries at rural, semi-urban and urban areas. This table contains the data from the year 2016-17 to 2020-20. Table 2 shows the number of accounts opened under the PMMY from the year 2015-16 to year 2019-20. Table 3 shows the amount of loans sanctioned from the year 2015-16 to the year 2019-20.

Table 1: Progress Under PMJDY Over 5 Years (In Crores)

Year	Bank type	Beneficiaries at rural/semi-urban centre bank branches	Beneficiaries at urban metro centre bank branches	Total Beneficiaries	Deposits in Accounts	Rupay Debit Cards issued to beneficiaries
2016-17	Public Sector Banks	12.37	10.30	22.68	50025.27	17.73
	Regional Rural banks	3.98	0.65	4.63	11819	3.56
	Private banks	0.55	0.36	0.92	2127.10	0.85
2017-18	Public Sector Banks	13.66	11.75	25.41	64967.31	19.08
	Regional Rural banks	4.26	0.79	5.04	13370.27	3.67
	Private banks	0.60	0.39	0.99	2208.10	0.92
2018-19	Public Sector Banks	15.27	12.91	27.18	79177.43	22.64
	Regional Rural banks	5.11	0.96	6.07	17648.07	3.86
	Private banks	0.68	0.56	1.24	2926.35	1.16
2019-20	Public Sector Banks	16.38	13.99	30.37	104955.17	24.45
	Regional Rural banks	5.60	0.99	6.59	25004.45	3.45
	Private banks	0.69	0.55	1.24	3604.61	1.15
2020-21	Public Sector Banks	20.58	12.87	33.45	112519.95	26.39
	Regional Rural banks	6.64	0.94	7.58	27611.96	3.4
	Private banks	0.69	0.56	1.25	4265.17	1.1

The above data reveals that all the three categories of the banks i.e. Public sector banks, Regional Rural banks and Private Banks are doing a tremendous job in the field of financial inclusion. But the major role is played by the Public sector banks and Regional rural banks in banking the unbanked population. As the table depicts, in the year 2017, around 22.68 crore accounts were opened in the rural and urban areas by the public sector banks by distributing 17.73 Rupay cards to all the account holders. In the year 2018, total account holders have been increased to 31.44 crores with the help of Public sector banks, Regional rural banks and private banks by opening 25.41 crore, 5.04 crore and 0.99 crore accounts respectively. Again in the year 2019, the number of account holders was increased by the public sector banks to 27.18 crores and by regional rural banks to 6.07 crores and 1.24 crores by private sector banks. In the year 2020, number of beneficiaries in all the areas i.e rural, semi-urban and urban areas was increased from 27.18 crores to 30.37 crores by public sector banks, from 6.07 to 6.59 crores by regional rural banks, whereas in this year, there was not a big change in the number of accounts being opened by the private sector banks. In the year 2020-21, total number of beneficiaries under the public sector banks are 33.45 crore, under regional rural banks are 7.58 crore and under private sector banks are 1.25 crores.

So, all the three banks- public sector banks, private sector banks and regional banks are performing a major role in providing the financial services to the unbanked population.

Table 2: Category Wise Analysis of PMMY Scheme (No. of Accounts)

Category	No. of loan accounts (in lakh) FY 2015-16	No. of loan accounts (in lakh) FY 2016-17	No. of loan accounts (in lakh) FY 2017-18	No. of loan accounts (in lakh) FY 2018-19	No. of loan accounts (in lakh) FY 2019-20
Shishu	324.01	364.98	426.69	515.07	544.90
Kishor	20.70	26.63	46.53	66.06	64.71
Tarun	4.10	5.40	8.06	17.56	12.85
Total	348.81	397.01	481.28	598.69	622.46

The table reveals that the number of loan accounts is increasing over the years under all the three categories i.e. Shishu, Kishor and Tarun. As, in the year 2015-16 total number of loan accounts under all the three categories were 348.81 crore which increased to 397.01 crore in the year 2016-17. Again in the year 2017-18, total number of loan accounts under Shishu yojana was 426.69 crore, under Kishor was 46.53 crore and under Tarun the total number of loan accounts was 8.06 crore. Total number of loan accounts was again increased from 515.07 crore in 2018-19 to 544.90 crore in the year 2019-20 under Shishu Yojana. But the total number of accounts was only 64.71 in the year 2019-20 whereas it was 66.06 crore in the year 2018-19. But the overall loan accounts have been increased in the year 2019-20 to 622.46 crore as it was 598.69 crore in the year 2018-19.

Table 3: Category Wise Analysis of PMMY Scheme (Loan Sanctioned)

Category	Loan sanctioned (in crores) 2015-16	Loan sanctioned (in crores) 2016-17	Loan sanctioned (in crores) 2017-18	Loan sanctioned (in crores) 2018-19	Loan sanctioned (in crores) 2019-20
Shishu	62,894.96	85,100.74	1,06,001.6	1,42,345.25	1,63,559
Kishor	43,052.55	53,545.14	86,732.15	1,04,386.68	95,578
Tarun	31,501.76	41,882.66	60,943.36	74,990.86	78,358
Total	1,37,449.27	1,80,528.54	2,53,677.11	3,21,722.79	3,37,495

This table presents the data about amount of loan sanctioned in all the 3 categories over the different years. In the year 2015-16, total amount of loans sanctioned was 62,894.96 crores under Shishu yojana, 43,052.55 crore under Kishor and 31,501.76 crore under Tarun which was increased to 85,100.74 crores, 53,545.14 crores, 41,882.66 crores under the respective schemes in the year 2016-17. The total amount of loan sanctioned was 1,06,001.6 crore under Shishu, 86,732.15 crore under Kishor and 60,943.36 crores under Tarun in the year 2017-18. Again in the year 2019-20, total amount of loans sanction increased to 1,63,559 from 1,42,345.25 in 2018-19 under Shishu. The loans sanctioned under Kishor yojana was decreased from 1,04,386.68 crore in 2018-19 to 95,578 crore in 2019-20. Again under Tarun yojana, amount of loan sanctioned increased in the year 2019-20 to 78,358 from 74,990.86 in the year 2018-19.

Pradhan Mantri Fasal Bima Yojana

PMFBY	2016-17	2017-18	2018-19	2019-20
Farmers Applications Insured (Lakh)	583.7	532.7	577.2	612.9
Area Insured (Lakh ha)	561.1	507.7	525.8	500.5
Sum Insured	203,110	202,282	229,535	218,921
Farmers Share in Premium	4,078	4,204	4,785	4,510
Gross premium	21,654	24,670	29,060	32,033
Reported Claims	16,809	22,127	29,246	26,861
Paid Claims	16,809	22,118	28,119	25,816
Farmer Applications Benefitted (Lakh)	156.5	176.8	221.6	224.7

VI. FINDINGS

1. The number of beneficiaries under Pradhan Mantri Jan Dhan Yojana is increasing from the year 2016-17 to 2019-20 at increasing rate but the rate of increase in number of beneficiaries slightly decreases in the year 2020-21. This might happen due to the pandemic.
2. Amount of deposits is also increasing from the year 2016-17 to the year 2020-21 under PMJDY.
3. Overall there is an increase in the number of rupay cards distributed to account holders under PMJDY from the year 2016-17 to 2020-21 but the rupay cards issued by regional rural banks in the year 2019-20 has decreased to 3.45 crores among 3.86 crore in the year 2018-19. And almost it remains same in the year 2020-21.
4. Maximum number of accounts is opened under shishu yojana from the year 2015-16 to year 2019-20 which reveals that most of the people prefer to start their business from a small scale.
5. Number of accounts opened under Kishor and Tarun yojana increased from 2015-16 to 2018-19 but decreased in the year 2019-20.
6. Maximum amount of loan is sanctioned under Shishu yojana from year 2015-16 to year 2019-20 and the amount is increasing over the years. And similarly, amount of loans given under Tarun yojana also increases over the years.
7. Amount of loans provided under Kishor yojana increases from year 2015-16 to year 2018-19 but decreases in the year 2019-20.

VII. CONCLUSION

PMMY and PMJDY play a remarkable role in financial inclusion. Under PMJDY, accounts are opened up, accounts holders are provided with the Rupay cards to make digital payments easy and also the account holders are facilitated with the deposits. Study of this scheme shows a positive result which means that most of the people are provided with the financial services and as per the data it is studied that regional rural banks and public sector

banks are doing the tremendous job in the area of financial inclusion. Whereas the number of accounts opened by private sector banks and deposited accepted in these banks are comparatively. PMMY is the initiative of Government of India through which the government aims to provide financial strength to the small and micro businesses. The data reveals that maximum amount of loans are provided under Shishu yojana which means that more and more people wants to start their own business from small scale as compared to the loans provided under Kishor and Tarun Yojana. But from the study, the need of financial literacy Is felt, which means that government should take initiative to aware the general public about the financial services, products and about the financial world.

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