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Innovative Initiatives of GoI towards Financial Inclusion and their Performance

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Abstract

The study is based on some innovative schemes taken by GOI for financial inclusion. Financial inclusion is a high priority in India, as around 40 % of people in the country lack access to bank account and other means of financial inclusion. Prime Minister Narendra Modi has announced the launch of Pradhan Mantri Jan Dhan Yojana (PMJDY) in 2014, India's National Mission for financial inclusion and three other major social security schemes which includes a pension scheme named Atal Pension Yojana (APY), a life-insurance scheme named Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), and an accidental death or disability insurance scheme named Pradhan Mantri Suraksha Bima Yojana (PMSBY). These schemes represent further unfolding of the 'financial inclusion' initiative that Modi Government seems to have worked out in great detail. The objective of these efforts is to draw all households into the banking and insurance system of the country and leading towards the greater purpose of financial inclusion in India.

Keywords: *PMJDY, APY, PMJJBY, PMSBY, Financial Inclusion, India.*

Introduction: Finance is the basic need for development and expansion. RBI data reveals that only 35% of the Indians have bank account in formal financial institutions and remaining are excluded of taking any benefits from financial services, i.e. financial exclusion. Bank accounts are the first step to financial inclusion. In India, financial inclusion has always been a priority, since 1969, when banks were nationalized, the strategy for addressing the banking needs of the poor has been biased towards providing credit, neglecting other aspects such as building a deposit base, promoting a saving culture, or attending the payment network. However, over the last decade, India's financial inclusion agenda has been a strategic shift from an emphasis on credit to more comprehensive approach towards financial services, particularly opening bank accounts and offering basic financial products such as insurance. This shift has been partly driven by the need to achieve other public policy goals, such as replacing product subsidies with cash transfers, which requires beneficiaries to have bank accounts for advancing the transfers.

Pradhan Mantri Narendra Modi had launched Jan Dhan Yojana on 28 august 2014 to ensure access to various financial inclusion schemes which include a pension scheme named Atal Pension Yojana (APY), a life insurance scheme named Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), and an accidental death or disability insurance scheme named Pradhan Mantri Suraksha Bima Yojana (PMSBY) on May 10 at Kolkata for financial inclusion. To underline the importance of the schemes in the plans of the Government, these were launched simultaneously at 112 locations in different states and union territories; a dozen senior Union Ministers fanned out across the country to take part in some of these launch functions. These schemes represent further unfolding of the 'financial inclusion' initiative that Modi Government seems to have worked out in great detail. The objective of these effort is to cover all households into the banking and insurance system of the country.

Review of Literature: Providing access to the financial service to the poor by linking them with banks has always been an important priority of the Government of India. According to the Committee on Financial Inclusion (Chairman: C. Rangarajan), 2008, "Financial inclusion defined 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".

Again, Dr. K. C. Chakraborty, Deputy Governor, RBI, defines financial inclusion as the "process of ensuring access to appropriate financial products and services needed by vulnerable groups at an affordable cost in a fair and transparent manner by mainstream institutional players" (Chakraborty).

The essence of financial inclusion is trying to ensure that a range of appropriate financial services is available to every individual and enabling them to understand and access those services. Apart from the regular form of financial intermediation, it may include a basic no-frills banking account for making and receiving payments, a savings product suited to the pattern of cash flows of a poor household, money transfer facilities, small loans and overdrafts for productive, personal and other purposes, insurance (life and non-life) etc. (Feroze & Chauhan, 2011).

In study conducted by (Prasad & Sashsrnaman, 2015), about an initial analysis of – Atal Pension Yojana (APY) expressed – It is indeed heartening that there is a lot of policy attention on these very important questions of old age income security, and the emergence of NPS and now the APY are testament to this. If some of the design limitations of the NPS were to be addressed in the APY, it would mean that the most vulnerable households would be able to build pension corpuses that could meaningfully provide them with old age income security.

The study conducted by (DV & Rathod, 2015), on "Financial Inclusion – A study on Modi's PMJJBY, PMSBY, APY-reveals that the Government and Banks have played a major role for the success of these schemes and the schemes has more benefits for the poor people and youngsters. Government is spending approximately 12,520 crores for five years

towards PMJJBY, PMSBY, and APY. Comparatively, than male female enrollment into these schemes are almost 50 % less than males.

Another study conducted by Hema & Divya found that, financial inclusion is very useful tool for low income and no advantage group of study. Financial inclusion has shown good level of performance during last three decades, there is need to improve financial services and delivery of banking product delivery mechanism to provide strength to financial inclusion and banking or financial institutions need to put some efforts on their own basis to improve financial inclusion basis in the country.

Objectives:

1. To know about the innovative initiatives taken by Government regarding financial inclusion.
2. To know about the performance of innovative initiatives taken by Government of India regarding financial inclusion.

Methodology: This paper is based on secondary data which was collected from concern websites, magazines, newspapers, journals and past research papers.

Financial Inclusion Schemes and their performance:

Pradhan Mantri Jan Dhan Yojana (PMJDY) was announced on 15 August, 2014 and launched on 28 August, 2014 as a National Mission for Financial Inclusion. This mission has an ambitious objective of covering all households in the country with banking facilities and having a bank account for each household in the country with banking facilities and having a bank account for each household. PMJDY works with the philosophy of “Sab Ka Sath Sab Ka Vikash”. Comprehensive financial inclusion (FI) under the mission is based on six pillars. These are proposed to be achieved in two phases as under:

- Phase I (15 August 2014 August 2015)
 - Universal access to banking facilities.
 - Providing Basic Banking Accounts with overdraft facility and RuPay Debit card to all households.
 - Financial Literacy Programme.
- Phase II(15 August 2015 – 15 August 2018)
 - Creation of Credit Guarantee Fund.
 - Micro Insurance.
 - Unorganized sector Pension schemes like Swavalamban.



Progress report of PMJDY towards financial inclusion:

One of the successful initiatives of Government towards financial inclusion is Jan Dhan Yojana. Almost 11 crore bank accounts have been opened within 20 months of its launch in August 2014, accounting for a cumulative balance of almost Rs.37000 crore in these accounts , providing access to banking services to more than 15 % of the unbanked population.

A notable highlight of these accounts is that after keeping the account operative for six months, one member of the household is allowed an overdraft of upto Rs. 5,000. So far, about 19 lakh account holders have availed an overdraft amounting to Rs. 256 crore. Punjab National Bank, Canara Bank and State Bank of India are among the top banks in providing such overdrafts under the scheme.

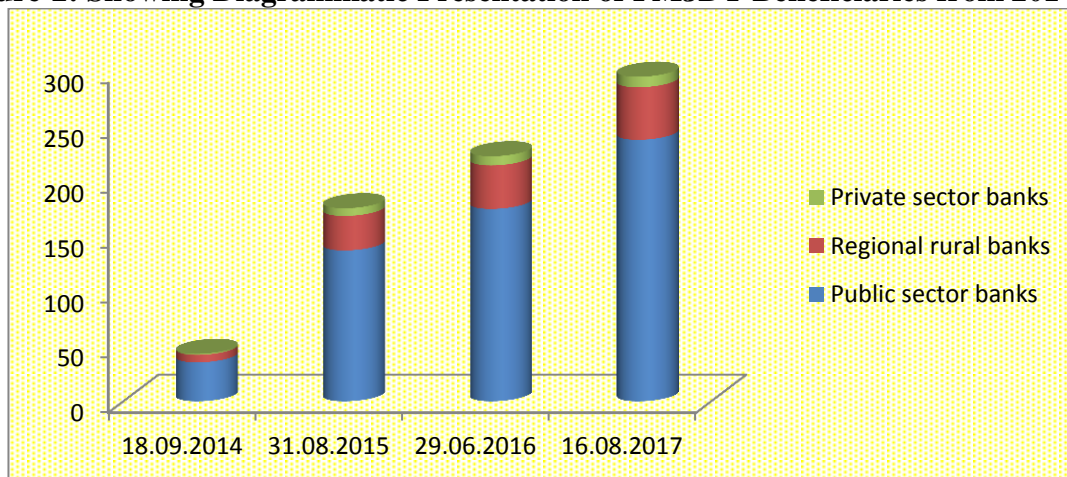
Table-1: Progress of Beneficiaries under PMJDY from 2014 – 2017:

	(18.09.2014)			(31.08.2015)			(29.06.2016)			(16.08.2017)		
Bank	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total
Public Sector Banks	19.09	16.28	35.37	75.30	61.90	137.20	97.82	77.15	174.98	130.00	107.86	237.86
Rural Regional Banks	6.01	0.87	6.88	26.80	4.60	31.40	34.00	5.59	39.59	40.57	7.19	47.76
Private Banks	0.41	0.47	0.88	4.20	2.80	7.00	5.10	3.21	8.31	5.81	3.76	9.57

Source: www.pmjdy.gov.in and businessstandard.com

Interpretation: The table shows that, in 2014 - the total number of beneficiary in public sector banks were 35.37 million, which gradually kept increasing to 137.20 million in 2015, 174.98 million in 2016 and 237.86 million in 2017. In rural regional banks – 6.88 million in 2014, 31.40 million in 2015, 39.59 million in 2016 and finally 47.76 million in 2017. The highest rate of growth is seen in the public sector banks. Compared to the public sector and rural regional banks the progress of private banks has been low, still it has also made much progress in the recent years i.e. 0.88 million in 2014, 7.00 million in 2015, 8.31 million in 2016 and 9.57 million in 2017.

Figure-2: Showing Diagrammatic Presentation of PMJDY Beneficiaries from 2014-17



Source: Table - 2

Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) for life insurance coverage scheme, covers for one year and renewable from year to year. The Scheme offering life insurance cover for death due to any reason. The scheme would be offered /administered through LIC and other Life Insurance Companies as well as have tie ups with Banks for this purpose.

Pradhan Mantri Jeevan Jyoti Bima Yojana

Life Insurance worth **₹2 lacs** at just **₹330 per annum**

➤ All bank account holders whose age is between 18 to 50 years are eligible
➤ Life Insurance amount for family in your absence

Eligibility: Available to people in the age group of 18 to 50 and having a bank account. People who join the scheme before completing 50 years can, however, continue to have the risk of life cover up to the age of 55 years subject to payment of premium.

- **Premium:** Rs. 330 per annum. It will be auto – debited in one installment.
- **Payment mode:** the payment of premium will be directly auto – debited in one installment by the bank from the subscribers account.
- **Risk Coverage:** Rs. 2 lakhs in case of death for any reason.
- **Terms of Risk Coverage:** A person has to opt for the scheme every year. He can also prefer to give a long- term option of continuing, in which case his account will be auto – debited every year by the bank.

- **Who will implement this Scheme:** the scheme will be offered by Life Insurance Corporation and all other life insurers who are willing to join the scheme and tie up with banks for this purpose.

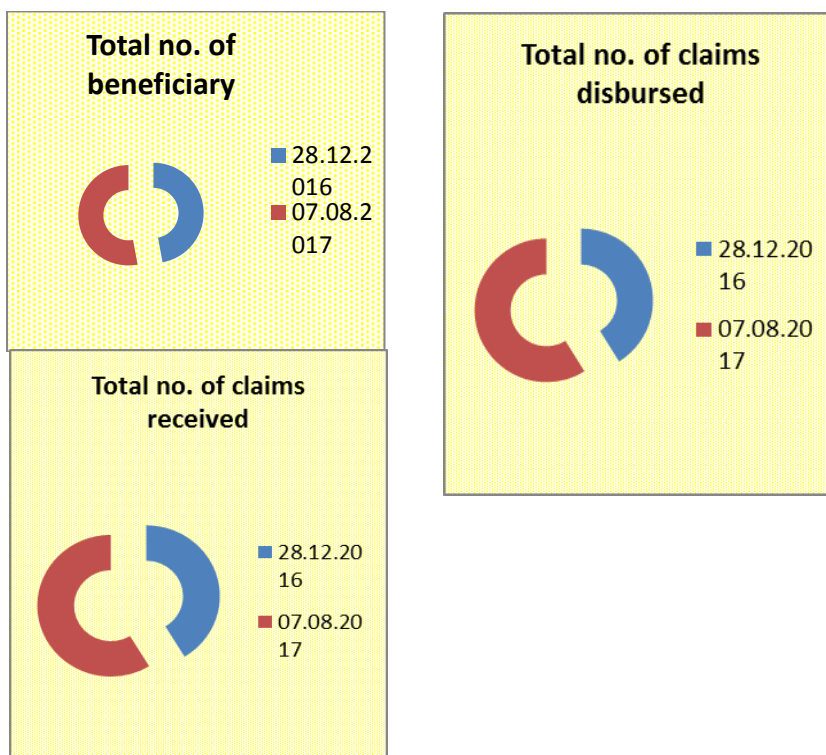
Table –2: Showing PMJJBY Beneficiaries progress from 2016 to 2017:

	28.12.16	07.08.2017	Growth %
Total no. of beneficiary	30800000	34611000	12.37
Total no. of claims received	51745	73584	42.21
Total no. of claims disbursed	48,023	68,681	43.02

Source: www.googleweblight and business standard .com

Interpretation: It can observed from the table that, the total numbers of beneficiary in 2016 was 30800000 which increased to 34611000 in 2017, total no. of claims received in 2016 was 51745 which increase to 73584 in 2017 and the total no. of claims disbursed in 2016 was 48023 increased to 68681 in 2017. These shows the growth of PMJJBY has increased in 2017.

Figure-2: Diagrammatic Presentation of PMJJBY progress from 2016 – 2017:



Source: Table-2

Pradhan Mantri Suraksha Bima Yojana (PMSBY) an accidental insurance coverage scheme – This scheme will be for one year cover, renewable from year to year, Insurance Scheme offering life insurance cover for death due to any reason. This scheme would be offered / administered through LIC and other Life Insurance Companies. This scheme would be offered / administered through LIC and other Life Insurance Companies.



- **Eligibility:** Available to people in age group 18 to 70 years with bank account.
- **Premium:** Rs. 12 per annum.
- **Payment Mode:** The premium will be directly auto – debited by the bank from the subscribers account. This is the only mode available.
- **Risk Coverage:** For accidental death and full disability – Rs. 2 lakh and for partial disability –Rs. 1 lakh.
- **Eligibility:** Any person having a bank account and Aadhar number linked to the bank account can give a simple form to the bank every year before 1st of June in order to join the scheme. Name of nominee to be given in the form.
- **Terms of Risk Coverage:** A person has to opt for the scheme every year. He can also prefer to give a long term option of continuing in which case his account will be auto – debited every year by the bank.
- **Who will implement this Scheme:** This scheme will be offered by all Public Sector General Insurance Companies and all other insurers who are willing to join the scheme and tie- up with banks for this purpose.
- **Tax Benefit:** The premium will be tax – free under section 80C and also the proceeds amount will get tax- exemption u/s 10(10D). But if the proceeds from insurance policy exceed Rs. 1 lakh, TDS at the rate of 2% from the total proceeds if no Form 15G or from 15H is submitted to the insurer.

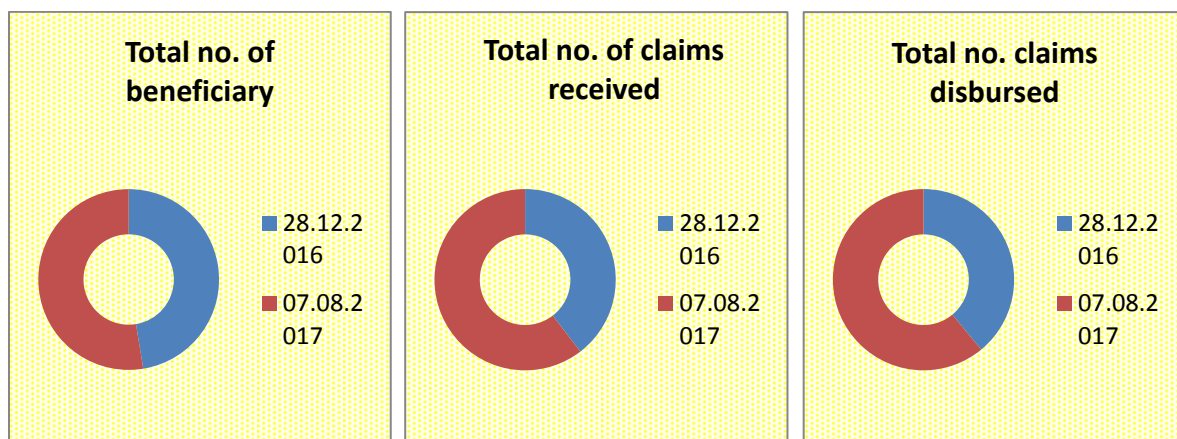
Table-3: Progress Under Pradhan Mantri Suraksha Bima Yojana from 2016-17

	28.12.16	07.08.2017	Growth %
Total no. of beneficiary	9,88,00000	109,550,000	10.88
Total no. of claims received	10,084	15,402	52.74
Total no. of claims disbursed	7,282	11,383	56.32

Source: www.googleweblight and businessstandard.com

Interpretation: From the table it can be seen that, the total number of beneficiaries in 2016 was 9,88,00000 which increased to 109,5,50000 in 2017; total number of claims received in 2016 was 10,084 which increased to 15,402 in 2017 and the total number of claims disbursed in 2016 was 7,282 which increased to 11383 in 2017. These shows the total number of beneficiary, number of claims received as well as the total number of claims disbursed have records impressive progress in a single year.

Figure-3: Diagrammatic Presentation of Progress under PMJSBY from 2016 to 2017:



Source: Table-3

Atal Pension Yojana (APY): The scheme was launched in June 1, 2015, and focus is on the unorganized sector. A pension provides people with a monthly income when they are no longer earning. A Subscriber receives pension based on accumulated contribution out of his current income. Under the Atal Pension Yojana scheme (APY), the subscribers, under the age of 40, would receive the fixed monthly pension of Rs. 1000 to Rs. 5,000 at the age of 60 years, depending on their contributions.

To make the pension scheme more attractive, Government would contribute 50% of a subscriber's co-contribution or Rs. 1,000 per annum, whichever is lower to each eligible subscriber account for a period of 5 years from 2015-16 to 2019-20. The benefit of government's co-contribution can be availed by those who subscribe to the scheme before December 31, 2015.



- **Eligibility for APY:** Atal Pension Yojana is open to all bank account holders who are not members of any statutory social security scheme.
- **Age of joining and contribution period:** The minimum age of joining APY is 18 years and maximum age is 40 years. One needs to contribute till one attains 60 years of age.

Progress under APY: The government's social security scheme APY has reached a subscriber base of 62 lakh in a time span of two years since its launch, an official statement said on Wednesday 30th august 2017.

At a time when the interest rate on various financial instruments including savings bank is declining, APY as a pension scheme offers a guaranteed rate of 8 percent assured return for the subscribers and also the opportunity of higher earnings in case the rate of return is higher than 8 percent at the time of maturity after saying invested in the scheme for 20 -42 years," the Pension Fund Regulatory and Development Authority (PFRDA) said.

"Increasing enrolment is attributed to financialisation of assets and driving the people to pension products which has government implicit guarantee to given an assured pension to the subscriber, spouse and return of corpus to the nominee" it added.

The PFRDA's is to cover the maximum possible population uncovered by any person scheme under the APY scheme so that India can move from a pension – less to a pensioned society and the citizens can live a life of dignity in their vulnerable years , the statement noted.

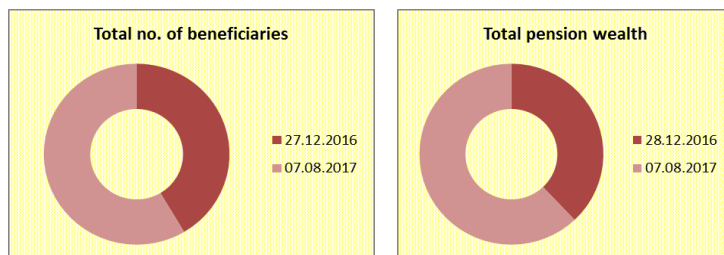
Table – 4: Progress under Atal Pension Yojana from 2016 to 17:

	27.12.2016	21.03.2017	Growth %
Total no. of beneficiaries	38,23000	54,00000	41.25
Total pension wealth	1344,70,00000	2200,0000000	63.61

Source: www.googleweblight and businessstandard.com

Interpretation: As seen in the above table the total no. of beneficiaries in 2016 was 38, 23,000 which increased to 54, 00000 in 2017. This shows a growth of 1,57,7000 number of beneficiaries in a single year. Also the total pension wealth has increased from 13,447000000 in 2016 to 22000000000 in 2017 which records an increase of 8553000000 in a single year.

Figure-4: Diagrammatic Presentation of Progress under Atal Pension Yojana from 2016-17



Source: Table - 4

Findings:

1. PMJDY made it to Guinness World Records; a record of 11.5 crore accounts opened within a short span of time and has been considered as one of the successful initiatives of Modi Government towards financial inclusion.
2. In the PMJDY from 2014 to 2017 there has been much progress in public sector banks, rural regional banks as well as private sector banks. The rate of growth in public sector banks is the highest, whereas the progress in private sector banks is less compared to the other two banking sectors.
3. In the PMJJBY and PMSBY have made a good move and progress from 2016 to 2017. The total number of beneficiary, total number of claims received as well as the total number of claims have increased considerably in the recent years.
4. Under APY the total number of beneficiaries and total pension wealth has increased in the recent years and records a growth of 41.25 percentage in beneficiaries and 63.61 in the pension wealth.

Suggestions:

1. The Government and Banks have to take further steps regarding awareness creation, publicity etc. to reach these schemes to more numbers of beneficiaries, especially for the women and economically weaker section of the people.
2. The stakeholders have to maintain more transparency and effectiveness in implementation and informing how the money collected from these schemes will be utilized by the Government/ banks to grow the sense of better acceptability by people.
3. People should be educated from all the angle possible of all sector to come-up voluntarily to accept and uplift these schemes for their betterment in terms of their life security and financial stability.

Conclusion: From the study, it can be concluded that Government's financial inclusion initiatives by the recent innovative schemes i.e. PMJDY, PMJJBY, PMSBY and APY are found most innovative, objective oriented and have records success up till-now, though we have miles to go. Among these schemes, the PMJDY is more successful initiative towards financial inclusion and it made it to Guinness World Records- a record by way of opening 11.5 crore new accounts. The subscribers of social security schemes i.e. of PMJJY, PMSBY and APY are at increasing pace, however if these schemes are implemented more properly and the benefit is passed on to the real subscribers, it will go a long way in establishing a social security system to the large section of people of the society, which is remain uncovered.

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