



FINANCIAL INCLUSION IN INDIA: A STUDY ON SELECT SCHEMES

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Abstract

The strength of the financial system is driven by large portion of the population among the disadvantaged and low-income groups involving in the basic financial transactions. India being the first most populous country in the world has shown all the signs of transition from a developing economy to a developed economy. This transition must be backed by the strong financial system. Financial inclusion is one such provision which enables every individual to access basic financial services at affordable cost. Financial inclusion creates more strong and sustainable financial systems and economies, sourcing domestic resources through national savings and helps to boost government revenue. Government of India along with Central Bank has initiated many schemes to accelerate the speed of financial inclusion coverage. In the recent focus towards literacy is not just confined to knowing how to read and write but it is to expand towards financial literacy as well. ICT enabled digitization has given a good jumpstart towards the achievement of equitable and inclusive financial growth of the economy at large.

Key words: *Financial System, Financial inclusion, low-income groups, financial literacy, digitization, Economy*

Introduction

As per RBI, financial inclusion means that 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.

As per International Monetary Fund, Financial inclusion can be understood as universal access to, and use of, a wide range of reasonably priced financial services.

Financial inclusion plays a very dominant role in stimulating economic empowerment, creating a harmonious relationship. Innovative financial products, such as cash-based lending can largely expand the access to capital for underserved segments like Micro, Small and Medium Enterprises, women and farmers. Financial access facilitates day-to-day living, and helps families and businesses plan for everything from long-term goals to unexpected contingencies. As accountholders, people are more likely to use other financial services, such as credit and insurance, to start and expand businesses, invest in education or health, manage risk, and weather financial shocks, which can improve the overall quality of their lives.

Significance of the Study

Financial inclusion is the top most priority not only at the government level but also at global level as well. To achieve the inclusiveness among the unbanked population, Government of India has initiated many schemes to move towards a new horizon. Understanding the new edge from the government and performance of various schemes is of utmost importance. The present study makes an attempt to understand the performance of few initiatives towards a new milestone in achieving the financial inclusion.



Objectives of the Study

1. To understand the conceptual framework of financial exclusion.
2. To know the need and importance of financial inclusion.
3. To analyse the various schemes initiated by GoI towards financial inclusion.

Research Methodology

The present study is descriptive in nature. The information for this study is collected through the websites of RBI, Government of India, articles cited through reputed journals, newspaper articles and reports of reputed research agencies and global index websites.

Review of Literature

Neha et.al (2013), in their study have tried to focus on RBI and Government of India initiatives in terms of policies to understand the current status and future prospectus of financial inclusion in India. The study reveals that RBI has introduced no frills account without minimum balance, overdraft facility on no frills account, creating the awareness of financial literacy, simplifying KYC for opening of accounts, kisan credit cards, general credit cards, Self Help Groups, opening of more bank branches and ATMs, SHG Linkage program Swabhimaan and Microfinance. Their study reveals that a large share of population especially rural households does not have accessibility to financial services. In spite of many obstacles RBI and GoI have a goal to achieve 100 percent financial inclusion. Authors also opines that customer trust building should start from creating awareness about e-banking and mobile banking, building more branches and ATMs and establishing linkages with Regional Rural Banks, Micro finance institutions.

Sonu et.al (2014), in their article have made an attempt to understand the importance of financial inclusion and efforts by banks in order to reach every citizen to achieve financial inclusion. Authors says that large part of economic activities like lending is dominated by few lenders which is making poor people very difficult to afford loans and also, they pay high interest rates without making any savings. In order to find a solution to this problem and also to provide GoI has framed many strategies. By introducing Kissan credit cards, General credit cards, Bank Linkages programme through Self Help Group, simplifying the KYC norms for account opening and for borrowing loans. Technology led approaches for financial inclusion in terms of mobile banking, online banking, increasing number of bank branches and ATMs also contributed to achieve financial inclusion. Authors opines that ICT can leverage everything and it is a good enabler of digitization. Author opines that with the linkage of Aadhar to the bank accounts bank accounts has eased to achieve financial inclusion during the study period that is from 2008 to 2017. Authors is of the opine that financial inclusion has a strong relationship with the development of the economy and which could be further improved organising more workshops to create awareness about e-banking training and financial literacy programs.

Jatan (2016), in his article has tried to understand the theoretical framework of financial inclusion and the major factors affecting the financial inclusion. The study focusses on Swabhimaan, Pradhan Mantri Jan Dhan Yojana, Jeevan Bima Yojana and Atal Pension Yojana along with the various milestones of India towards the financial inclusion. The study reveals that Psychological barriers, Gender, legal identity, terms and conditions, limited literacy, place of living, social security system are few of the obstacles to achieve extreme success towards financial inclusion.



Honey et.al (2017), in their article have tried to critically evaluate the role of RBI and banks in achieving financial inclusion with the rolling of Pradhan Mantri Jan Dhan Yojana. Their study reveals that between 2001 to 2011, more than 23 percent of Indians have been covered under financial inclusion. Banks and other financial institutions have also worked towards this growth in terms of opening of more branches, ATMs, pooling the deposits from the households, issuing kisan credit cards for farmers, general credit cards for others, by ensuring the enhancement of ICT based transaction is more and extending overdraft facility for the accountholders. The study reveals that all categories of banks namely public sector banks, private sector banks, regional rural banks have shown good growth in terms of number of accounts opened. Their study found that PMJDY has played an important role in achieving financial inclusion. A continuous effort from monetary and regulatory system helping to achieve 100 percent financial inclusion in the coming days.

Chetan (2021), in his study has tried to explore major factors affecting financial access and also impact of financial inclusion on Indian economy. He has tried analyse performance of financial inclusion plan in order to understand the impact of financial inclusion on the economy. Findings of his study says that the bank branches and ATMs of various groups of banks have increased sufficiently in order to achieve financial inclusion. GDP, branch growth, growth rate of AATMs and Credit Deposit Ratio have also shown positive trend

Understanding Financial Inclusion:

A sound and stable financial system is supportive in building financially inclusive society. The target of financial inclusion is to provide access to the basic financial services namely savings, credit, insurance for securing against unexpected eventualities and payments to people who require it, in order to upgrade and refine their lifestyles and to empower otherwise marginalised low-income individuals to actively participate in the inclusive economy.



Source: thoughtfulminds.org

The six basic pillars of the financial pillars are: universal banking, offering basic savings account with overdraft facility, promoting financial literacy, creation of the credit guarantee fund and providing pension scheme for unorganised sectors.



Importance of Financial Inclusion

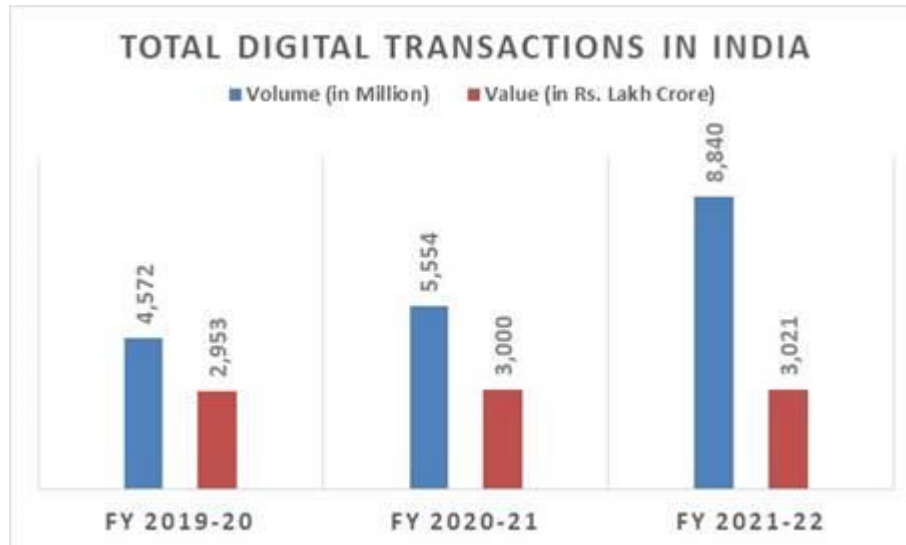
Financial inclusion is highly important the access and affordability of basic financial services to the last mile community people both in urban and peri-urban areas. Government aims to provide and disburse equally many benefits to its citizens even to the remotest parts of the nation. The major importance of financial inclusion is:

- To increase financial stability in terms of access to a good number of financial products and services.
- To improve the lifestyles of people as they can save money and employ effectively.
- To provide an access to more regulated and organised system of financial markets.
- To provide a proper route for underserved groups for credit access and other financial services by eliminating poverty.

In a nutshell, financial inclusion enables every individual to access the better financial services at affordable cost through a strong financial ecosystem which ultimately contributes bell being of a nation ultimately building a financially stable and an inclusive society.

Financial Inclusion and Technology

Technology is prevalent in all the fields including banks and financial sectors as well. Financial Technology popularly known as fintech plays a major role in enhancing financial inclusion. Modern innovative financial products and services are better shaping and serving the economy. Some them being mobile banking, Digital Payments Agent Banking Online Lending Platforms Blockchain and Cryptocurrency Financial Education Apps crowd funding etc. With the introduction of Jan-Dhan-Aadhar (JAM), a Mobile linkage program India has created a strong and concreted a platform to enable digital transactions.



Source:pib.gov.in

It is very clear from the above graph is that the total digital transactions have surged especially after covid-19 during the years 2019-20 to 2021-22, in terms of volume of transactions across India due to the implementation of Jan-Dhan-Aadhaar-Mobile linking initiative by the Government of India.

Government of India Initiatives towards Financial Inclusion:

Governments play a leading role in fostering the financial inclusion through policy and regulatory frameworks. They craft various strategies, implement measures in order the reduce barriers and



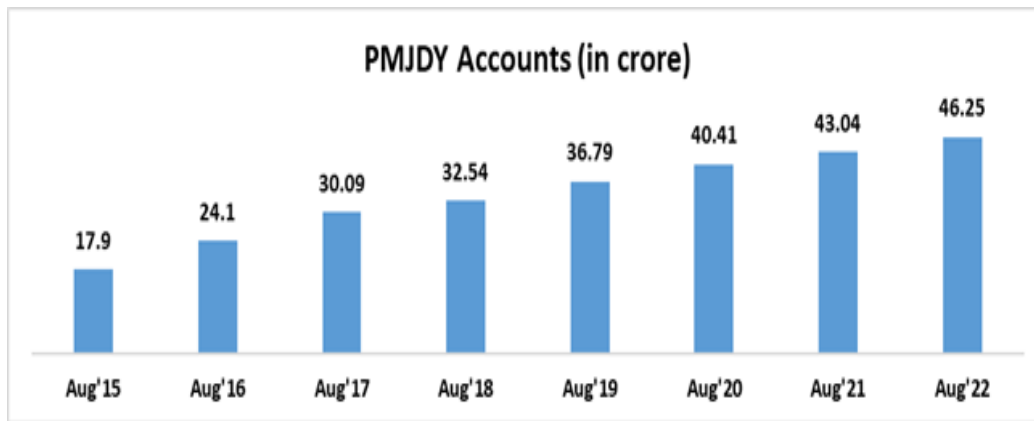
obstacles to encourage financial institutions in serving the underserved population. They also host many programs to create financial awareness and literacy by building a digital infrastructure. Pradhan Mantri Jan-Dhan Yojana is a National Mission for Financial Inclusion to enable every citizen to access the basic financial services namely Banking, Savings, Deposits, Remittances, Credit, Insurance, Pension at an affordable cost.

Some of the top Financial Inclusion Schemes initiated by GoI with their performance are discussed:

1. Pradhan Mantri Jan Dhan Yojana

Scheme	Pradhan Mantri Jan Dhan Yojana
Description	Initiated in 2014, aims to ensure easy access to basic financial services like savings, deposits, withdrawals, credit, insurance, pension etc.

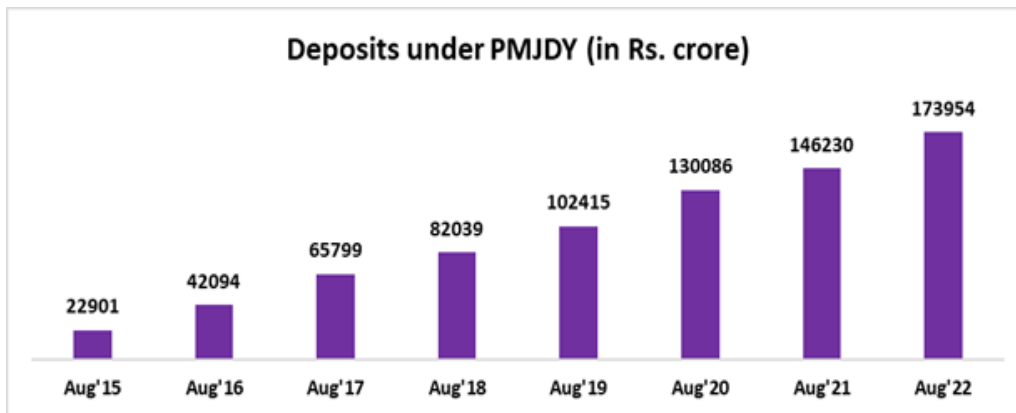
Achievements under PMJDY- As on 10th August 2022:



Source: pib.gov.in

It could be witnessed from the above graph that the value created through the opening of the accounts under Pradhan Mantri Jan Dhan Yojana has never turned back on its growth trajectory for the years through August 2015 to August 2022.

1.2. Deposits under PMJDY Accounts:



Source: pib.gov.in



As it could be traced from the above graph, PMJDY accounts have resulted in a huge deposit mobilisation during the study period that is from August 2015 to August 2023. YoY the resource mobilisation in terms of deposits has exhibited an increasing trend.

2. Pradhan Mantri Jeevan Jyothi Bima Yojana

Scheme	Pradhan Mantri Jeevan Jyothi Bima Yojana
Description	A government-backed life insurance scheme for individuals with a savings bank account.

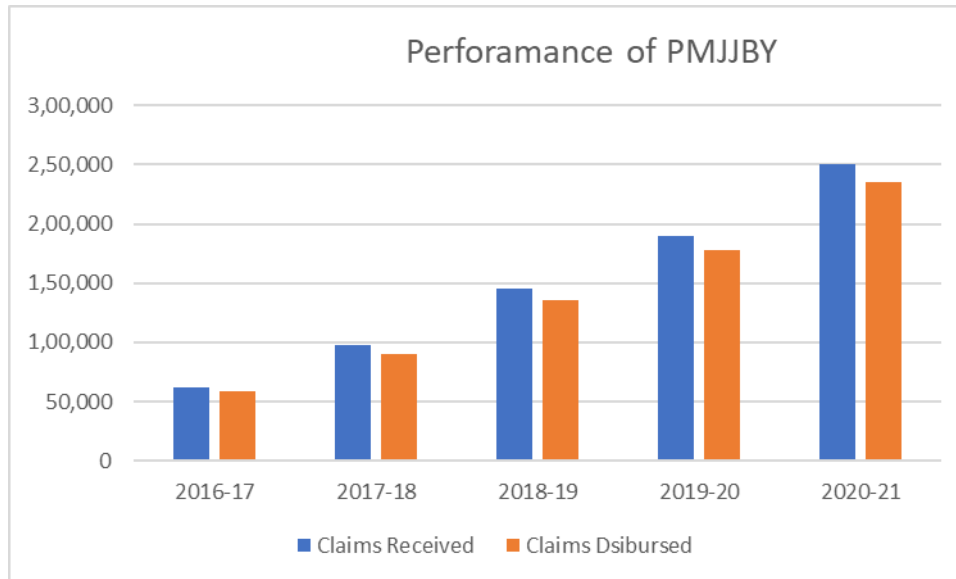
PM Jeevan Jyoti Bima Yojana

(As reported by Banks)

Financial year	Cumulative No. of persons Enrolled	Total No. of claims Received	Total No. of Claims Disbursed
2016-17	3.10 crores	62,166	59,118
2017-18	5.33 crores	98,163	89,708
2018-19	5.92 crores	1,45,763	1,35,212
2019-20	6.96 crores	1,90,175	1,78,189
2020-21 (as on date)	10.27 crores	2,50,351	2,34,905

Source: PM Jan Suraksha Yojana data, Finance Ministry

As on March 31, 2021



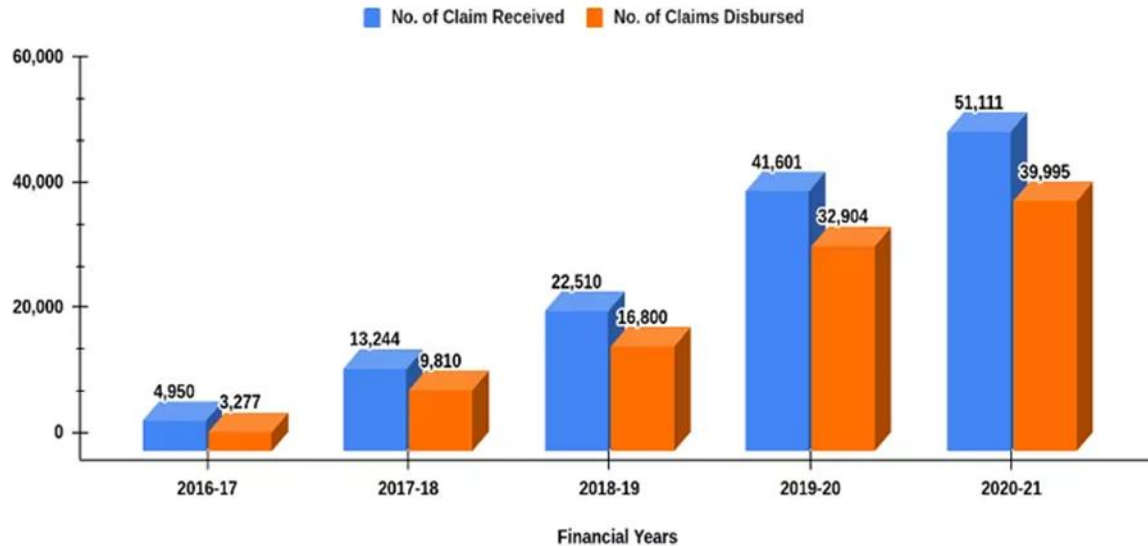
Performance of Pradhan Mantri Jeevan Jyothi Bima Yojana has shown good performance in terms of claims disbursement ratio. In almost all the years that is from 2016-17 to 2020-21, the claim disbursement is almost 95percent against claims received which is an indicator of better performance.



3. Pradhan Mantri Suraksha Bima Yojana

Scheme Name	Pradhan Mantri Suraksha Bima Yojana
Description	This is a government-backed insurance scheme that provides accidental death and disability insurance scheme for individuals with a savings bank account.

Source:
pib.gov.i



The performance of an insurance scheme can be very well captured by the number of claims it receives and the settlement of claims received. From the above graph its very clear that the claims disbursements are almost more than 70% during the study period that is from 2016-17 to 2020-21.

4. Atal Pension Yojana

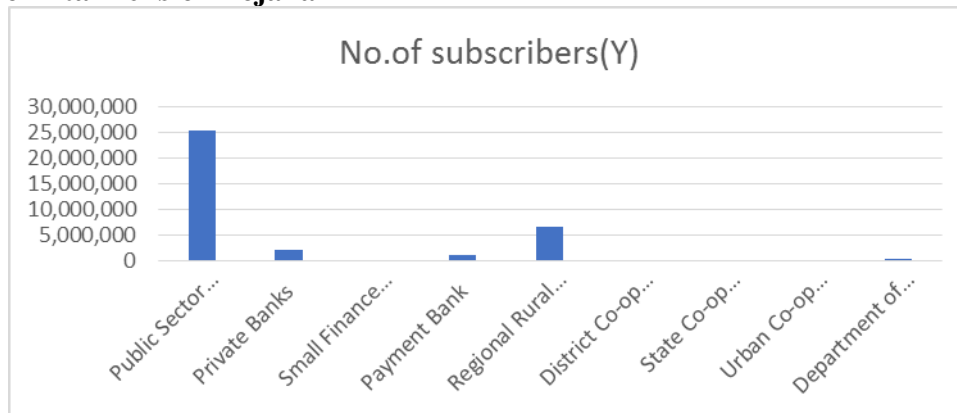
Scheme Name	Atal Pension Yojana
Description	This scheme was initiated in 2015 and is a government-backed pension scheme for individuals in the unorganized sector, such as small farmers, self-employed individuals, and daily wage workers.

Category wise Atal Pension Yojana Enrolments as on 30.11.2021

Category of Banks	No. of subscribers	Category of Banks	No. of subscribers
Public Sector Banks	2,52,32,793	District Co-op Banks	59,673
Private Banks	21,77,337	State Co-op Banks	5,662
Small Finance Bank	61,884	Urban Co-op Bank	22,271
Payment Bank	11,51,468	Department of Posts	3,48,033
	Regional Rural Banks		66,45,999



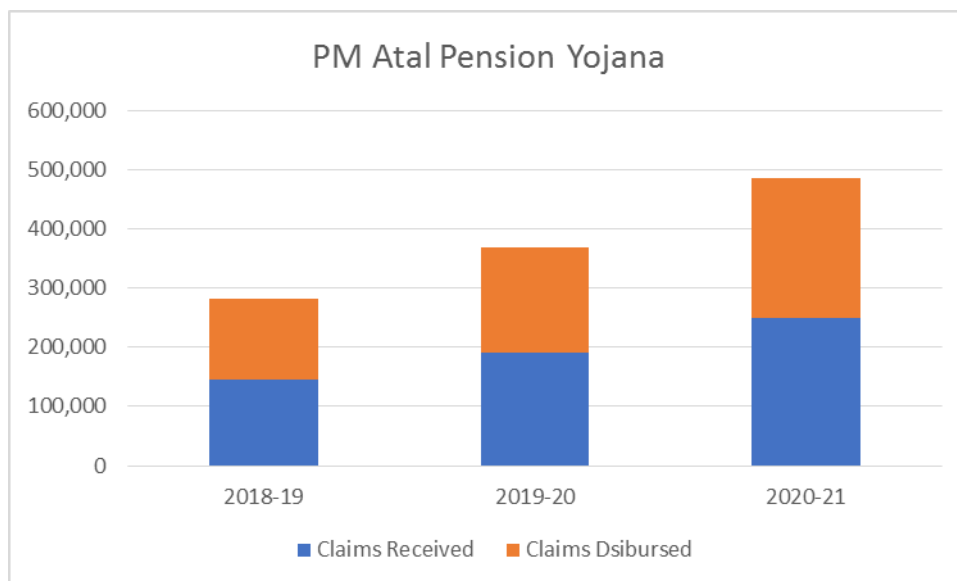
Subscribers for Atal Pension Yojana



More number of subscribers have registered through the public sector banks as for as Atal Pension Yojana is concerned followed by the regional rural banks and private sector banks in the order of priority.

Performance of Atal Pension Yojana from 2016-17 to 2020-21.

Year(X)	Claims Received	Claims Disbursed
2016-17	62,166	59,118
2017-18	98,163	89,708
2018-19	1,45,763	1,35,212
2019-20	1,90,175	1,78,189
2020-21	2,50,351	2,34,905



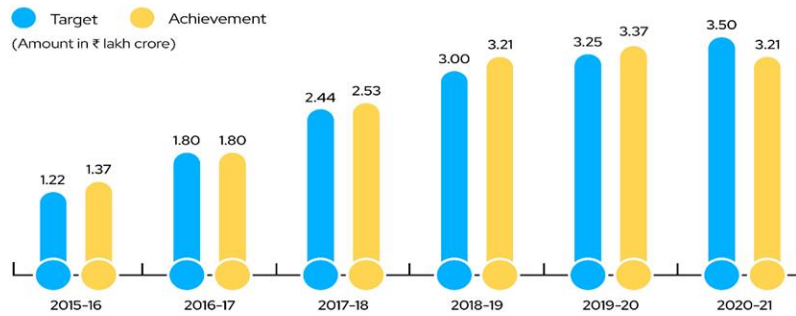
From the above graph it is clear that Pradhan Mantri Atal Pension Yojana has shown a very good consistency in the disbursement of claims against claims received during the study period 2018-19 to 2020-21.



5. Pradhan Mantri Mudra Yojana

Scheme	Pradhan Mantri Mudra Yojana
Description	This scheme was launched in 2015 and provides micro-enterprise loans for small businesses and startups.

Six years of Pradhan Mantri Mudra Yojna: Target vs Achievement



Source: MUDRA Annual Report



Since the introduction of this scheme, there has been a continuous increasing trend in the loans disbursed to Micro, small and medium enterprises. More interesting fact is that in almost all the years loans disbursed is always more than the targeted.

Financial Inclusive Index

Financial Inclusiveness is very crucial for wider and sustainable growth of the economy. It is very necessary to measure the financial inclusiveness in terms of penetration, access and quality as far as monitoring and policy making bodies are concerned. So, a multidimensional index with 97 indicators that quantifies the financial inclusiveness from all aspects has been constructed by RBI in 2021. Financial Index scale has a composition of 100 points ranging from 0 to 100, where FI index of 0 signifies total financial exclusion and 100 points scale is achieving financial inclusion 100 percent. Financial Inclusive index, (Inclusix index) has been divided majorly across three components viz access -35percent, Usage-45percent, Quality-20percent as per RBI.

Index Score	Level of Financial Inclusion
>55	HIGH
Between 40.1 and 55.0	ABOVE AVERAGE
Between 25.0 and 40.0	BELOW AVERAGE
< 25	LOW

Source: CRISIL Report 2013

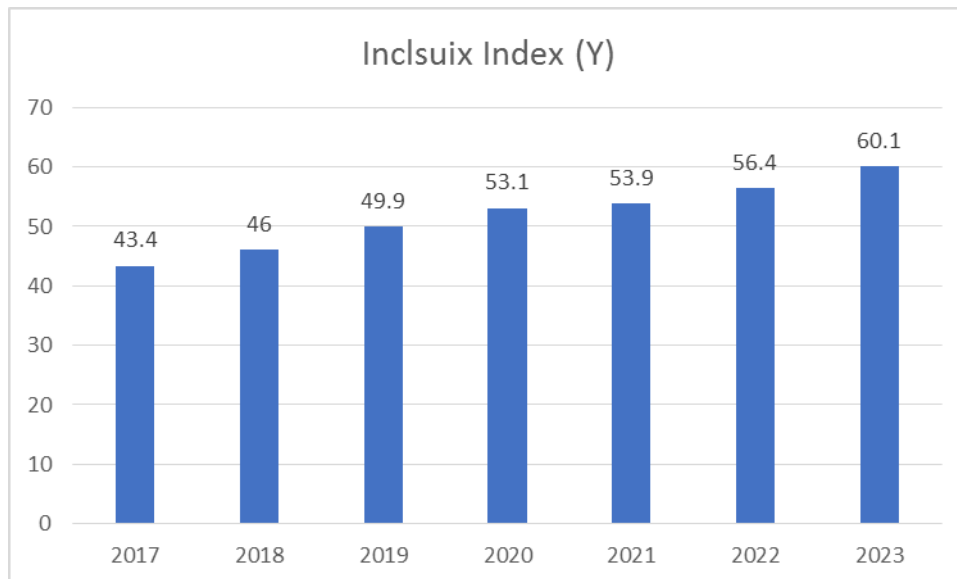


Source: CRISIL Inclusix reports for various years

On comparing the CRISIL Inclusix Report for the years 2009 through 2016 with the standard Index for Financial Inclusiveness in the above graph, it could be observed that there has been an increasing trend in the scores.

Year	2017	2018	2019	2020	2021	2022	2023
Inclusix Index Score	43.4	46	49.9	53.1	53.9	56.4	60.1

Source: RBI bulletin



From the above graph it is clear that Financial Inclusive index of India has maintained an above average level with a score of 40 and above. And from the year 2021 onwards India is on the success trajectory of achieving 100 percent with a high-level score for financial inclusive index.

Conclusion

Providing basic financial products and the necessary financial and digital infrastructure to all sections of the society is a development goal. All across the country, the government has made a mission to promote financial inclusion through its strong fiscal policy with innovative financial products and services. India is marching towards 100percent achievement of financial inclusiveness by building a



concrete financial ecosystem. Schemes like Pradhan Mantri Jan Dhan Yojana, Atal Pension Yojana, Pradhan Mantri Mudra Yojana etc. have actually created new milestones in financial inclusion. With the available infrastructure, India is hoping to continue its penetration of the financial inclusiveness to the extreme level.

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