FINANCIAL INCLUSION: MAJOR INITIATIVES

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During the last seven years, India has taken massive strides towards financial inclusion. When the first Global Findex Database was released by the World Bank in 2011, it stated that only 40 per cent of adult Indians had a bank account. Seven years later, almost 80 per cent of adult Indians have bank accounts, according to the Global Findex Database published in April 2018. This dramatic rise has been done through a series of financial inclusion measures launched by the Government.

The world famous economist Dr. Amartya Sen aptly said, "Poverty is the deprivation of opportunity." It clearly points towards the enormous significance of financial inclusion in a vast and diverse country like India. Once the financially vulnerable segments of society are part of the mainstream financial system, they have access to microcredit to generate additional income streams; to channel their savings into investments and create assets; to buy insurance products that protect them financially in times of disease, disability and death; and to help fund their children's education. Although the efforts towards achieving this ambitious goal started in a structured manner way back in 2005 with the constitution of 'Committee on Financial Inclusion' under the chairmanship of the then Reserve Bank of India Governor, Dr. C. Rangarajan.

During the last seven years, India has taken massive strides towards financial inclusion. When the first Global Findex Database was released by the World Bank in 2011, it stated that only 40 per cent of adult Indians had a bank account. Seven years later, almost 80 per cent of adult Indians have bank accounts, according to the Global Findex Database published in April 2018. This dramatic rise has been achieved through a series of financial inclusion measures launched by the Central Government. These include Aadhaar, a biometric database that provides a unique identity to each Indian citizen; no-frills savings bank accounts called Jan-Dhan; the direct transfer of social benefit payments into these Jan-Dhan accounts; and a digital payment infrastructure called BHIM (Bharat Interface for Money). Today, 90 per cent of India's 1.3 billion population have a unique Aadhaar identity, which is vital for meeting anti-money laundering and 'Know Your Customer' (KYC) requirements. In the last four years, more than 360 million new Jan-Dhan bank accounts have been opened. Mobile penetration is expected to reach 90 per cent by 2020. Internet penetration has soared and the use of digital payments is also rising significantly.

Now, let us cast a glance at the various initiatives taken by the present Central Government during the last 5 years while referring to the ancient Sanskrit verse: *'Sukhasya Moolam Dharma, Dharmasya Moolam Artha, Arthasya Moolam Rajyam'.* The present government took the onus on itself of involving the common man in the economic activity through Pradhan Mantri Jan-Dhan Yojana (PMJDY) launched on 28 August 2014. PMJDY is a national mission on financial inclusion started with an integrated approach to bring about comprehensive financial inclusion and provide banking services to all households in the country. The scheme ensures access to a range of financial services like availability of basic savings bank account, access to need-based credit, remittance facility, insurance and pension. It covers both urban and rural areas and those who open account get indigenous debit cards (RuPay card).

Account can be opened in any bank branch or Business Correspondent (or Bank Mitra) outlet at zero balance. Every bank account is on Core Banking System (CBS) of banks. Mobile banking, using USSD facility available on even basic feature phones is also being supported. A facility of call centre and toll-free number is available nationwide. The main features of PMJDY include Rs. 5,000 overdraft facility for Aadhaar-linked accounts and a RuPay Debit Card with inbuilt Rs. 1 lakh accident insurance cover. In addition, for accounts opened between 15th August 2014 and 26th January 2015, a Life Insurance cover of Rs. 30,000 is also available to the eligible beneficiaries. One of the salient features of the scheme is that after remaining active for six months, the account holder becomes eligible for an overdraft upto Rs. 5,000. Under the scheme, Financial Literacy programme, which aims to take basic financial education upto village level is also provided for better understanding of the whole mechanism. The mission also envisages extension of Direct Benefit Transfer (DBT) under various government schemes through bank accounts of the recipients. Kisan Credit Cards (KCC) have also been linked with the RuPay platform. Micro insurance and unorganized sector pension schemes like Swavalamban through the Business Correspondents have also been included for the second phase of the programme. The latest status of PMJDY is reflected in figure-1:

As far as its monitoring is concerned, a structured monitoring mechanism from Central to District level, has been instituted. At the Centre, Finance Minister is the mission-head along with a Steering Committee and a Mission Director. It is monitored at State level by a State Implementation Committee and in the districts by a District Implementation Committee. Thus, PMJDY not only serves as an important example of governance in mission mode, but also demonstrates what a government can achieve if it is committed to the welfare of the people. Another significant milestone is Atal Pension Yojana (APY) launched on 9 May 2015 by the Prime Minister, to address the longevity risks among the workers in unorganized sector who are not covered under any statutory social security scheme. Any Indian citizen between the age of 18–40 years can join it through their SB account. The subscribers in the eligible age, who are not income-tax payers and who are not covered under any statutory social security scheme, are entitled to receive the co-contribution by Central Government of 50 per cent of the total prescribed contribution, upto Rs. 1000 per annum for five years, i.e. from FY 2015–16 to 2019–20. Minimum pension of Rs. 1000 or Rs. 2000 or Rs. 3000 or Rs. 4000 or Rs. 5000 is guaranteed by the Government of India to the subscriber at the age of 60 years, with a minimum monthly contribution (for those joining at the age of 18) of Rs. 42 or Rs. 84 or Rs. 126 or Rs. 168 or Rs. 210, respectively.

Based on the success and popularity of Varishtha Pension Bima Yojana 2003, Varishtha Pension Bima Yojana 2014 and to protect elderly persons aged above 60 against a future fall in their interest income due to the uncertain market conditions and also provide social security during

Figure-1

(As on 24.07.2019)

(Amt.in cr.)

Bank Category	Total	Rural/semi-urban	Urban/Metro	Rupay cards issued	Balance amt. in a/cs
Public Sector Banks	28.95	15.68	13.27	24.13	79674.55
Regional Rural Banks	6.21	5.21	1.01	3.82	18354.13
Private sector Banks	1.25	0.69	0.56	1.16	2956.53
Total	**36.41**	**21.58**	**14.84**	**29.11**	**100985.21**

(Source: pmjdy.gov.in.)

old age, a simplified scheme of assured pension of 8 per cent called Pradhan Mantri Vayavandana Yojana (PMVVY) is being implemented through Life Insurance Corporation of India. According to the scheme, on the payment of an initial lump sum amount ranging from a minimum purchase price of Rs. 1,50,000 for a minimum pension of Rs 1000/- per month to a maximum purchase price of Rs. 7,50,000/- for maximum pension of Rs. 5,000/- per month, the subscribers will get an assured pension based on a guaranteed rate of return of 8 per cent per annum payable monthly. While revising the earlier investment limit of 7.5 lakhs, it has been increased to 15 lakhs .The last date to apply for the scheme has also been extended to 31 March 2020. Relaxing it further, now in a family if both the husband and wife are senior citizens, both can invest 15 lakhs each as purchase price (total 30 lakhs) and can enjoy bonus facility.

While introducing Pradhan Mantri Suraksha Bima Yojana in Budget 2015, all individual (single or joint) bank account holders in the age group of 18–70 years have been made eligible to join this scheme at a nominal premium of Rs. 12 per annum per member. This scheme is administered through Public Sector General Insurance Companies in collaboration with participating banks. It is an accident insurance scheme, which offers a one-year accidental death and disability cover that can be renewed annually.

Recognizing the challenges, the vulnerable sections of our society face in obtaining loan for setting up their enterprises, the Stand-Up India Scheme has been launched by Government of India on 5 April 2016 under which, bank loans between Rs. 10 lakh and Rs. 1 crore are given to at least one Scheduled Caste (SC) or Scheduled Tribe (ST) borrower and at least one woman borrower per bank branch for setting up a greenfield enterprise in manufacturing, services or the trading sector. While roping in the LDMs into it, SIDBI and NABARD have been made the Connect Centres for its implementation.

With an objective to promote the financial inclusion of SC entrepreneurs, enhance entrepreneurship create direct and indirect employment among them, Government of India took one more step of establishing Credit Enhancement Guarantee Scheme with an allocation of Rs. 200 crore parked with IFCI.

How can financial inclusion be complete without ensuring a bright future for the daughters of India? Therefore, as a part of 'Beti Bachaao Beti Padhaao' scheme of the present government, Sukanya Samridhi Yojana came into being in 2015, enabling parents to meet the major future expenses such as higher education and marriage of their girl-children plus offering tax benefits as well. In order to serve the intended purpose, the parents cannot withdraw the money and use it for personal needs, thus ensuring the financial independence of the girl child. Furthermore, it offers an attractive rate of interest, the highest among all small saving schemes.

In a country like India, where around 55.8 million MSME units employ more than 12 crore people, the present Government rightly took the initiative of MUDRA Scheme with the motive of bringing small business entities involved in trading, manufacturing and service sectors in the ambit of formal banking.

The scheme is extremely beneficial for the targeted groups and the banks as well. Twenty-seven public sector banks, 36 microfinance institutions, 25 NBFCs and 4 co-operative banks are already participants in the scheme with more expected to be added in the future.

If we look at the state-wise sanctions and disbursements under the scheme, Tamil Nadu tops the list for sanctioning Rs. 25338.68 crore, followed by West Bengal, Karnataka and Uttar Pradesh.

The launch of multiple schemes for the mission of financial inclusion begs one to examine the difference they made in the lives of the common man. The results are encouraging. The above-cited programmes, especially PMJDY have been broadly successful as a financial inclusion strategy, especially for women, in the rural areas. Many women have joined banking sector and opened a PMJDY account. Banks, SHGs and BCs have played an increasingly important role in opening of PMJDY accounts. SHGs have consolidated their position and are increasingly extending credit in rural areas. Change is being felt at the grassroot level.

Approximately 90 per cent of the villagers require help in filling up bank forms and operating ATMs but gradually their inquisitiveness is increasing and some change is being observed in rural ecosystems. The digitization of economy is yet a big challenge, nonetheless, the impact of TV, radio, magazines and newspapers have been positive in terms of financial literacy. The use of vernacular media and techniques like drama, street plays could help in advancing financial inclusion and literacy.

Development in IT is very crucial in extending financial services in the unbanked rural areas. There is a need for facilities like biometric-enabled and multi-lingual hand-held devices which can provide confidence to rural masses. Technological innovations like integrated machines that have the functionality of cash withdrawals and deposits; facility of scanning documents to facilitate new account opening and loan disbursals; and voice commands and narration for available facilities could further help increase banking penetration. These are, undoubtedly, creditable achievements for the country. However, getting a unique identity, having a bank account and using digital payments are just the foundations of financial inclusion. The next step to build a super structure of economic prosperity needs to be taken by the government as well as private sector. So, let us ponder over the key elements of true financial inclusion:

- First, financial firms must understand the market and structure products accordingly. For example, in the agrarian economy of India with so many diversities, where agricultural income is seasonal, the banks need to structure a loan product where the repayment cycle is seasonal and not monthly. In order to serve their customers better, financial service firms need to be present in local markets and have employees who are familiar with the cultural and economic nuances of the community in which they work.

- Second is financial literacy. According to Standard and Poor's survey, basic financial literacy in India is sub-par. The good news is that driven by the government and the regulators with setting up of Financial Literacy Centres, developing mobile-apps, mobile-ATM fitted demo-vans, awareness creation programmes as well as voluntary efforts by companies through Corporate Social Responsibility (CSR) programmes, this is changing.

- Partnership between the government and providers of various financial products should improve. One glaring example is, through public-private partnership, around 7 crore new houses have been built in the last five years, up from about four crore previously. Similarly, the last decade's growth rate of investment in mutual funds in India is now double that of the rest of the world. Interestingly, digital flows into mutual funds have increased 12 times in the last two years. No doubt, most of this growth has come from urban areas but as financial inclusion takes hold and more of the rural population is able to meet basic needs such as housing, they will look at investing their surplus to create long-term assets through financial investments. The panacea to all the problems faced by rural communities is—greater and meaningful financial inclusion. To illustrate, microcredit products have great potential to transform the financially weak into micro-entrepreneurs as well as create jobs in the local community. So SHG-Bank Linkage programme has to be made sustainable.

- Fourth is ensuring secured technology-driven environ. Given the prevailing situation where we are moving fast towards digital economy, it becomes necessary to create an ecosystem in rural India where the populace can use its cards in secured technology-driven environment to carry out digital transactions and not just use it on cash-dispensing machines. What is to be emphasized here is that all the stakeholders need to wear new thinking caps and work in consonance with one another to achieve financial inclusion in the rural hinterlands through effective use of technology.

To conclude, India has the world's largest share of young people—half the country is below the age of 25. They are no longer satisfied with the status quo, and have soaring ambitions. Financial inclusion will necessarily have to be at the core of any economic strategy that the nation puts in place to meet these aspirations.

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