

FINANCIAL INCLUSION AND ECONOMIC GROWTH IN INDIA: A STUDY ON MODI'S GOVT. INITIATIVES

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ABSTRACT

Even after 69 years of independence, around 600 million people in India are out of the formal banking. Since; Independence, Government and the RBI have launched many initiatives for financial inclusion- Bank Nationalization, Regional Rural Banks, Cooperative Banks, Banking Correspondence Agents (BCAs), Swabhiman, Swavlamban, Microfinance, No-frills account, 25% rural branch rule, Bharatiya Mahila Bank and so on. But, the objective of financial inclusion has never been achieved entirely. In; the direction of achieving the financial inclusion objective, Prime Minister Narendra Modi has announced the launch of four major social security schemes in two phases. In; phase, I basic financial service scheme Pradhan Mantri Jan Dhan Yojana (PMJDY), was launched, and in the II phase pension scheme named Atal Pension Yojana (APY), a life-insurance scheme called Pradhan Mantri Jeevan Jyoti Bhima Yojana (PMJJBY) and an accidental death or disability insurance scheme called Pradhan Mantri Suraksha Bhima Yojana (PMSBY) were launched. This study focuses on the initiative taken by Modi's Government toward achieving the goals of financial inclusion for inclusive growth in India and analyses the progress and achievements of PMJDY & APY. The relevant data for this study been collected with the help of various Research Journals, Articles, Reports of RBI, Reports of Government, and online resources.

KEYWORDS: Financial Inclusion, Modi's Govt. Initiatives, PMJDY, APY, PMJJBY, PMSBY.

Introduction

The process of economic growth, especially when it is a high growth line, must attempt to take participation from all sections of society. Lack; of access to financial services for small/marginal farmers and weaker sections of society been recognized as a severe threat to economic progress, especially in developing countries. Since; Independence, Government and the RBI have launched many initiatives for financial inclusion- Banks Nationalization, Regional Rural Banks, Cooperative Banks, Banking Correspondence Agents (BCAs), Swabhiman, Microfinance, No-frills account, Bharatiya Mahila Bank, and so on. But; the objective of financial inclusion has never been achieved its entirety. To achieve the

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financial inclusion objective, Prime Minister Narendra Modi has announced the launch of four major social security schemes in two phases. In phase I basic financial service scheme Pradhan Mantri Jan Dhan Yojana (PMJDY) and phase II pension scheme named Atal Pension Yojana (APY), a life-insurance scheme called Pradhan Mantri Jeevan Jyoti Bhima Yojana (PMJJBY) and an accidental death or disability insurance scheme called Pradhan Mantri Suraksha Bhima Yojana (PMSBY). These schemes represent the further unfolding of the 'financial inclusion initiative that the Modi Government seems to have worked out in great detail. The; objective of this to draw all households into the banking and insurance system of the country. Our; Prime Minister has categorically declared the end of 'financial un-touchability in India with the opening of an estimated 15 million bank account across the country on the inaugural day, an exercise unprecedented in scale in economic history. The; initial target of the PMJDY was to cover 75 million unbanked households by January 26; 2015.

The Jan Dhan Yojana is be implemented in two phases. In the first phase (15 August; 2014 to 14 August; 2015), the aim to provide universal access to banking facilities through a bank branch or business correspondent. In the second phase (from 15 August; 2015 to 14 August; 2018), micro insurance and pension schemes for the unorganized workers would also be provided. Besides; it, some of the other unique benefits under the PMJDY are- interest on deposits, no minimum balance requirement, easy transfer of money across India, direct benefit transfers in these accounts, access to insurance &pension products, etc.

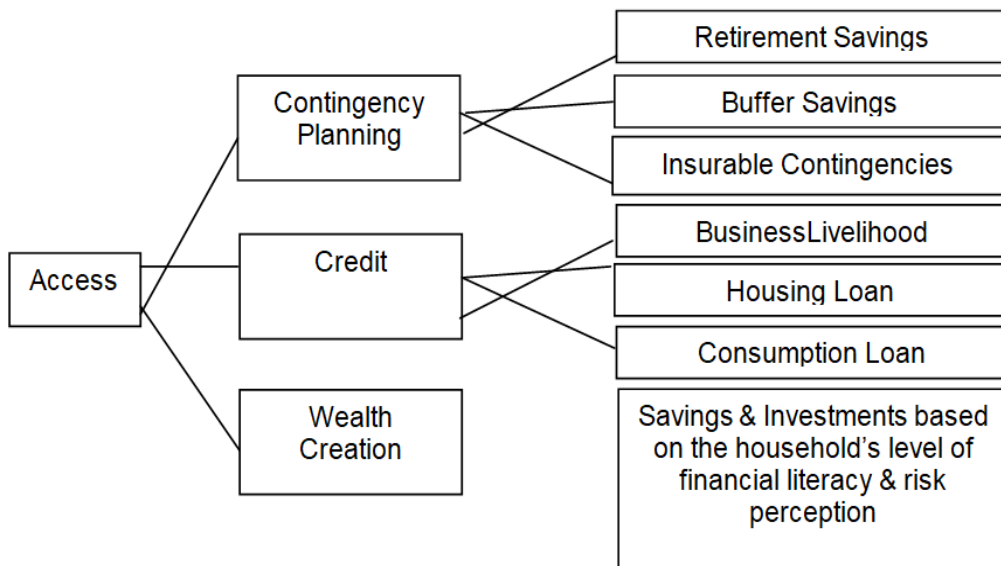
Financial Inclusion

By financial inclusion, we mean delivering of financial services, including banking services and credit, at an affordable cost to the vast sections of disadvantaged and low-income groups who tend be excluded. The various financial services include access to savings, loans, insurance, payments, and remittance facilities offered by the formal financial system.

In simpler terms, financial inclusion is about including the excluded in the financial system of the country and to ensuring that their economic& social security needs are taken care of through appropriate financial service providers.

Rangarajan Committee (2008) viewed financial inclusion 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.”

Household Access to Financial Services



The essence of financial inclusion is to ensure the delivery of financial services, which include – bank accounts for savings and transactional purposes, low-cost credit for productive, personal, and other purposes, financial advisory services, insurance facilities (life and non-life) etc.

Importance of Financial Inclusion

- Access to financial services enables the poorest and most vulnerable in society to step out of poverty and reduces the inequality in community.
- Financial inclusion not only helps individuals and families, but collectively it develops entire communities and can help drive economic growth.
- Financial inclusion enables people to have the ability and tools to manage and save their money.
- Financial inclusion empowers people with the skill and knowledge to make the proper financial decisions.
- Financial inclusion through access to an account, saving and payment system enables potential and empowers men, women, and whole communities.

Objectives of the Study

- To briefly examine the various financial inclusion initiatives taken by Modi Government.
- To evaluate the progress and achievements of financial inclusion in the country regarding to PMJDY & APY.

Review of Literature

- **Vishnu Prasad & Anand Sahasranaman**, "initial analysis of Atal Pension- Atal Pension Yojana (APY, henceforth) – It is indeed heartening that there is a lot of policy attention on these fundamental questions of old age income security, and the emergence of the NPS and now the APY is testament to this. If some of the design limitations of the NPS-S were be addressed in the APY, it would mean that the most vulnerable households would be able to build pension corpora that could meaningfully provide them with old age income security."
- **K. Rajnikanta (2014)**, in his research paper, studied financial inclusion as a new drive in India; report has focused the need for financial inclusion in India as inclusive growth can be possible with financial inclusion. Every; household within the grasp of the banking system needs to be focused on. The Paper has tried to overview PMJDY as a part of financial inclusion.
- **K. Divyesh** in his research paper has studied of PMJDY with financial inclusion in India and its history, benefits, critical elements of the scheme, and quantitative analysis of the system.
- **SR Bansal**, CMD, Corporation Bank has accessed that Earning from PMJDY have crossed more than Rs.2 crores from non-zero balance accounts. Bank has a balance of Rs. Five hundred fifty crores as of June,29, 2015. He also claimed that 28% of accounts in this scheme are zero balance accounts against the banking industry average of 57%. the bank had opened more than 20 lacs accounts during this period.5

Initiatives of Modi's Govt.

Phase I

- Pradhan Mantri Jan Dhan Yojana (PMJDY)

Phase II

- Atal Pension Yojana (APY)
- Pradhan Mantri Jeevan Jyoti Bhima Yojana (PMJJBY)
- Pradhan Mantri Suraksha Bhima Yojana (PMSBY)

Pradhan Mantri Jan Dhan Yojana (PMJDY)

Pradhan Mantri Jan Dhan Yojana (PMJDY), one of the most significant financial inclusion initiatives in the world, was announced by Prime Minister, Shri Narendra Modi on 15th August 2014 from the ramparts of the Red Fort. Pradhan Mantri Jan Dhan Yojana is a National Mission on Financial Inclusion that has an integrated approach to bringing about comprehensive financial inclusion and providing banking services to all households in the country. The scheme ensures access to a range of financial services like the availability of basic savings bank accounts, access to need-based credit, remittances facility, insurance, and pension. It has been certified that the "Most bank accounts opened in one week as part of the Financial Inclusion Campaign is 18,096,130, and was achieved by the Department of Financial Services, Government of India. "Pradhan Mantri Jan Dhan Yojana provides a platform for universal access to banking facilities with at least one basic banking account for every household, financial literacy, and access to credit, insurance and pension facility. It covers urban and

rural areas, and those who open an account would get an indigenous Debit Card (Ru-Pay card). The account can be opened in any bank branch at zero balance. Every bank account is on the core Banking System (CBS) of banks. Mobile banking using the USSD facility available on even basic feature phones is also being supported. A facility of call centre and toll-free number is available nation wide. PMJDY brings about the objective of financial inclusion for all by providing basic banking accounts with a debit card with inbuilt accident insurance. The main features of PMJDY include Rs. 5,000 overdraft facility for Aadhar-linked accounts and a Ru-Pay debit card with inbuilt Rs. 1 lakh accident insurance cover. One of the salient features of Pradhan Mantri Jan Dhan Yojana is that after remaining active for six months, the account holder will become eligible for an overdraft of up to Rs 5,000.

Atal Pension Yojana (APY)

Atal Pension Yojana is a government-backed pension scheme in India targeted at the unorganized sector. It was initially mentioned in the 2015 Budget speech by Finance Minister Arun Jaitley in February 2015. It was launched by Prime Minister Narendra Modi on 9th May 2015 in Kolkata. In Atal Pension Yojana, for every contribution made to the pension fund, The Central Government would also co-contribute 50% of the total donation or ₹1,000 per annum, whichever is lower, to each eligible subscriber account, for 5 years. The minimum age of joining APY is 18 years, and the maximum age is 40 years. The age of exit and start of pension would be 60 years. Therefore, a minimum period of contribution by the subscriber under APY would be 20 years or more. Aadhaar would be the primary KYC document for identification of beneficiaries, spouses, and nominees to avoid pension rights and entitlement-related disputes in the long term. The subscribers are required to opt for a monthly pension from Rs. 1000 – Rs. 5000 and ensure payment of stipulated monthly contribution regularly. The subscribers can opt to decrease or increase the pension amount during the accumulation phase, as per the available monthly pension amounts. This scheme be linked to the bank accounts opened under the Pradhan Mantri Jan Dhan Yojana scheme, and the contributions will be deducted automatically. Most of these accounts had zero balance initially. The government aims to reduce the number of such zero balance accounts by using this and related schemes.

Indicative APY Contribution Chart (Age wise)

| Age of Entry | Years of Contribution | Monthly pension of Rs. 1000. | Monthly stipend of Rs. 2000. | Monthly allowance of Rs. 3000. | Monthly pension of Rs. 4000. | Monthly stipend of Rs. 5000. |
|--------------|-----------------------|------------------------------|------------------------------|--------------------------------|------------------------------|------------------------------|
| 18 | 42 | 42 | 84 | 126 | 168 | 210 |
| 19 | 41 | 46 | 92 | 138 | 183 | 228 |
| 20 | 40 | 50 | 100 | 150 | 198 | 248 |
| 21 | 39 | 54 | 108 | 162 | 215 | 269 |
| 22 | 38 | 59 | 117 | 177 | 234 | 292 |
| 23 | 37 | 64 | 127 | 192 | 254 | 318 |
| 24 | 36 | 70 | 139 | 208 | 277 | 346 |
| 25 | 35 | 76 | 151 | 226 | 301 | 376 |
| 26 | 34 | 82 | 164 | 246 | 327 | 409 |
| 27 | 33 | 90 | 178 | 268 | 356 | 446 |
| 28 | 32 | 97 | 194 | 292 | 388 | 485 |
| 29 | 31 | 106 | 212 | 318 | 423 | 529 |
| 30 | 30 | 116 | 231 | 347 | 462 | 577 |
| 31 | 29 | 126 | 252 | 379 | 504 | 630 |
| 32 | 28 | 138 | 276 | 414 | 551 | 689 |
| 33 | 27 | 151 | 302 | 453 | 602 | 752 |
| 34 | 26 | 165 | 330 | 495 | 659 | 824 |
| 35 | 25 | 181 | 362 | 543 | 722 | 902 |
| 36 | 24 | 198 | 396 | 594 | 792 | 990 |
| 37 | 23 | 218 | 436 | 654 | 870 | 1,087 |
| 38 | 22 | 240 | 480 | 720 | 957 | 1,196 |
| 39 | 21 | 264 | 528 | 792 | 1,054 | 1,318 |
| 40 | 20 | 291 | 582 | 873 | 1,164 | 1,454 |

Corpus Fund under Atal Pension Yojana

| Monthly Pension Amount (Rs) to subscriber / spouse | Corpus Amount (Rs) - Return of corpus amount to Nominee |
|--|---|
| 1,000 | 1,70,000 |
| 2,000 | 3,40,000 |
| 3,000 | 5,10,000 |
| 4,000 | 6,80,000 |
| 5,000 | 8,50,000 |

- Pradhan Mantri Jeevan Jyoti Bhima Yojana (PMJJBY)**

Pradhan Mantri Jeevan Jyoti Bhima Yojana is a government-backed Life insurance scheme in India. It was initially mentioned in the 2015 budget speech by Finance Minister Arun Jaitley in February 2015. It was formally launched by Prime Minister Narendra Modi on 9 May 2015 in Kolkata. Pradhan Mantri Jeevan Jyoti Bhima Yojana is available to people between 18 and 50 years of age with bank accounts. It has an annual premium of ₹330 excluding service tax, above 14% of the bonus. The amount will be automatically debited from the account. In case of fatalities due to any cause, the payment to the nominee will be ₹2 lakh. No claim is admissible for deaths during the first 45 days from the entry date, except for cases of death due to accident. This scheme are linked to the bank accounts opened under the Pradhan Mantri Jan Dhan Yojana scheme. Most of these accounts had zero balance initially. The government aims to reduce the number of such zero balance accounts by using this and related projects.

- Pradhan Mantri Suraksha Bhima Yojana (PMSBY)**

While presenting Budget 2015-16, Finance Minister Arun Jaitley has unearthed a low-premium insurance scheme named "Pradhan Mantri Suraksha Bhima Yojana," which aims to increase the insurance penetration in India by providing life cover at a meager annual premium. This social security schemes are linked to the popular scheme "Pradhan Mantri Jan Dhan Yojana." Pradhan Mantri Suraksha Bhima Yojana will provide insurance cover against accidental death & disability for one year and should be renewed from year to year before 31st May. Pradhan Mantri Suraksha Bhima Yojana is available to people who fall in the age group of 18 years (completed) to 70 years (running) having a savings bank account. The premium for this scheme is as low as Rs.12 per annum, i.e., Rs.1 per month. The eligibility criteria include the person to having a savings bank account because the payment mode for the premium is fixed a direct debit from the Bank Account.

There are two types of insurance covers provided in this scheme:

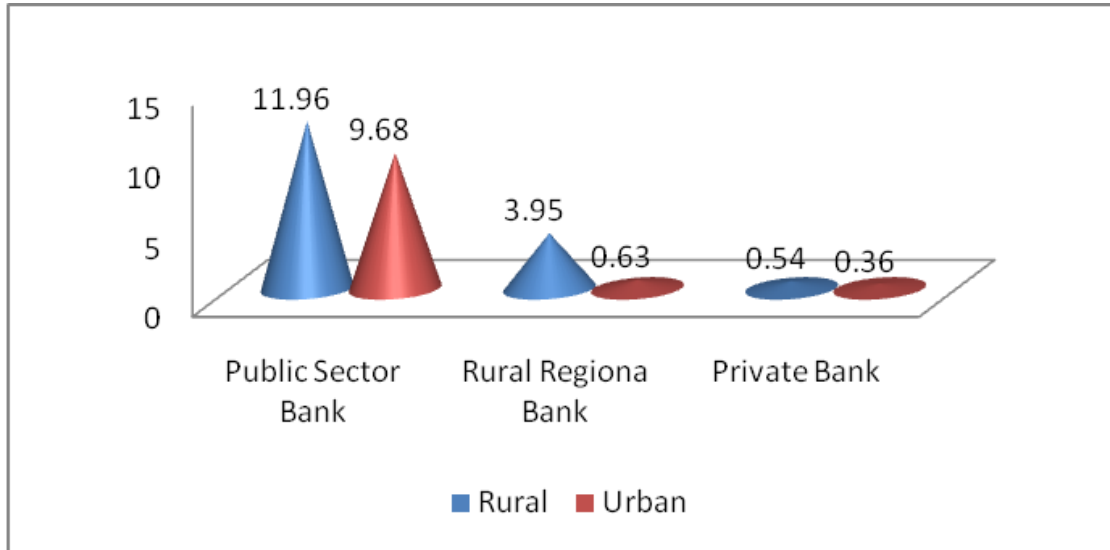
| Sl. No | Risk – Coverage / Benefits | Sum Insured |
|--------|---|-------------|
| 1. | Death (Natural or Accidental) | Two lakhs |
| 2. | Full Disability (Total and irrecoverable loss of both eyes or loss of use of both hands and feet.) | Two lakhs |
| 3. | Partial Disability (Total and irrecoverable loss of sight of one eye or loss of use of one hand or foot.) | Two lakhs |

In case of death the subscriber, the pension would be available to the spouse, and on the end of both (*subscriber and spouse*), the pension corpus (as indicated in the above table) would be given to his / their nominee.

Progress and Achievements**Progress OF Pradhan Mantri Jan Dhan Yojana****(Accounts opened on 18th January 2017)****All figures in Crores**

| Bank Name | Rural | Urban | Total | No. of Ru-pay Cards | Aadhaar Seeded | Balance in accounts | % of Zero balance accounts |
|----------------------|--------------|--------------|--------------|---------------------|----------------|---------------------|----------------------------|
| Public Sector Banks | 11.96 | 9.68 | 21.64 | 17.07 | 13.01 | 53143.03 | 24.83 |
| Rural Regional Banks | 3.95 | 0.63 | 4.58 | 3.37 | 2.32 | 12617.09 | 20.95 |
| Private Banks | 0.54 | 0.36 | 0.90 | 0.83 | 0.39 | 2477.63 | 35.04 |
| Total | 16.45 | 10.66 | 26.68 | 21.27 | 15.72 | 68237.74 | 24.51 |

Accounts opened on 18th January 2017



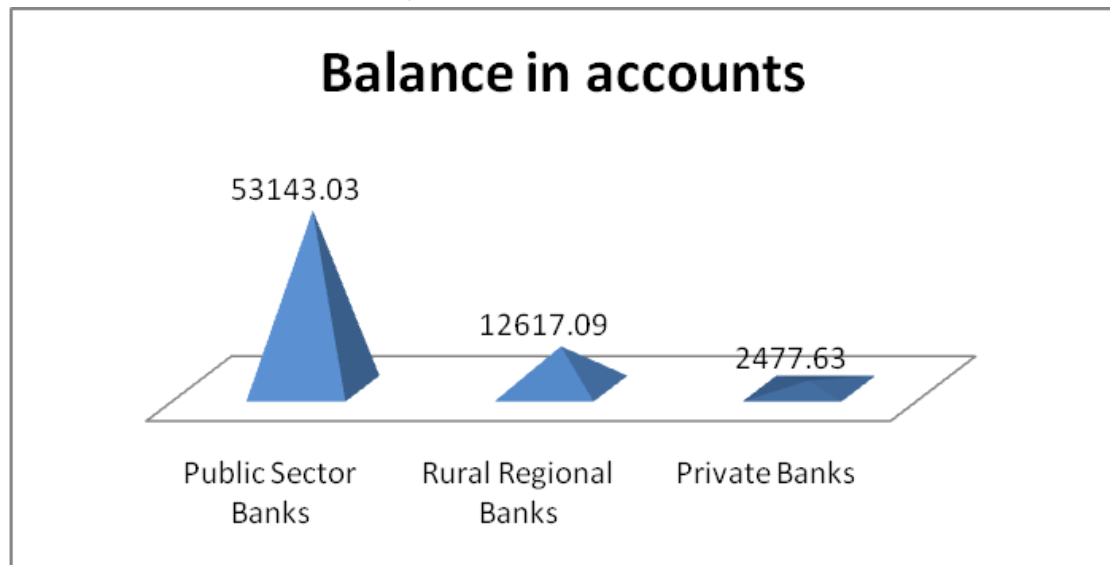
Statistics show that Public sector banks have contributed more to making the scheme successful in rural and urban areas with 11.96 crores and 9.68 crores accounts respectively. Regional Rural Banks stand second with 3.95 and 0.63 crores accounts, respectively in Rural and Urban Areas, while private banks have contributed nominally with 0.54 and 0.36 crores reports in Rural and Urban areas. However the total number of accounts crosses the 26.68 crores mark beyond the expectations of the government, which is significant.

Position of Overdraft under PMJDY As of December 2016

| | |
|---|-----------|
| Total Number of Accounts Offered For OD | 83,56,281 |
| Total Numbers of Accounts OD Sanctioned | 44,68,577 |
| Total Numbers of Accounts OD Availed | 24,25,075 |
| Amount Total OD Availed (In Lakhs) | 32,002.28 |

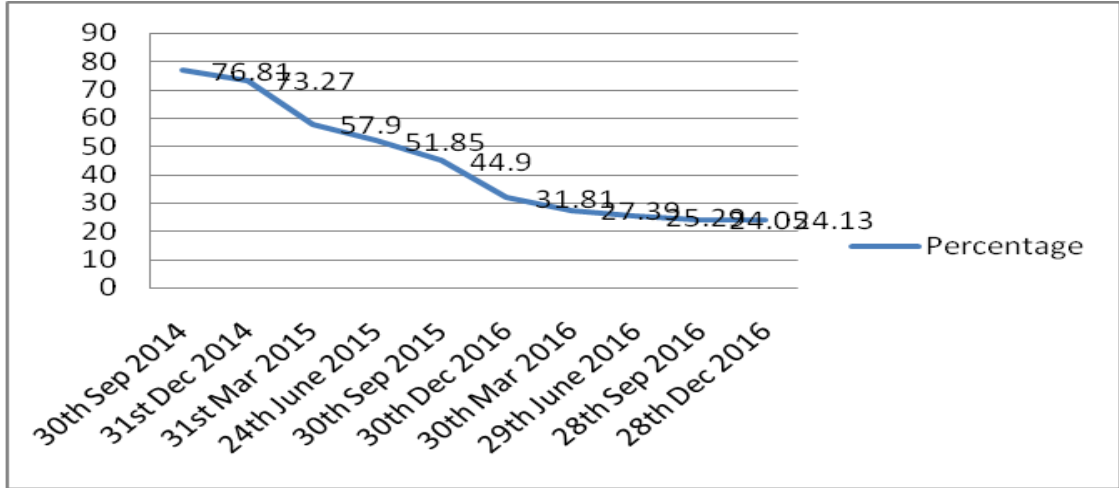
Source: www.pmjdy.gov.in

Accounts Balance as of 18th January 2017



People started contributing to this scheme after its effective execution, which can be considered actual participation of people. Again Public Sector Banks stand first with 53143.03 thousand crores deposits, followed by Rural Regional Banks with an amount of 12617.09 thousand crores, and private banks with 2477.63 thousand crores deposits again this reflects the trend the Public Sector can perform well with their strong willingness to execute the scheme.

The trend of Zero Balance Account under PMJDJ as of Dec 2016 in %

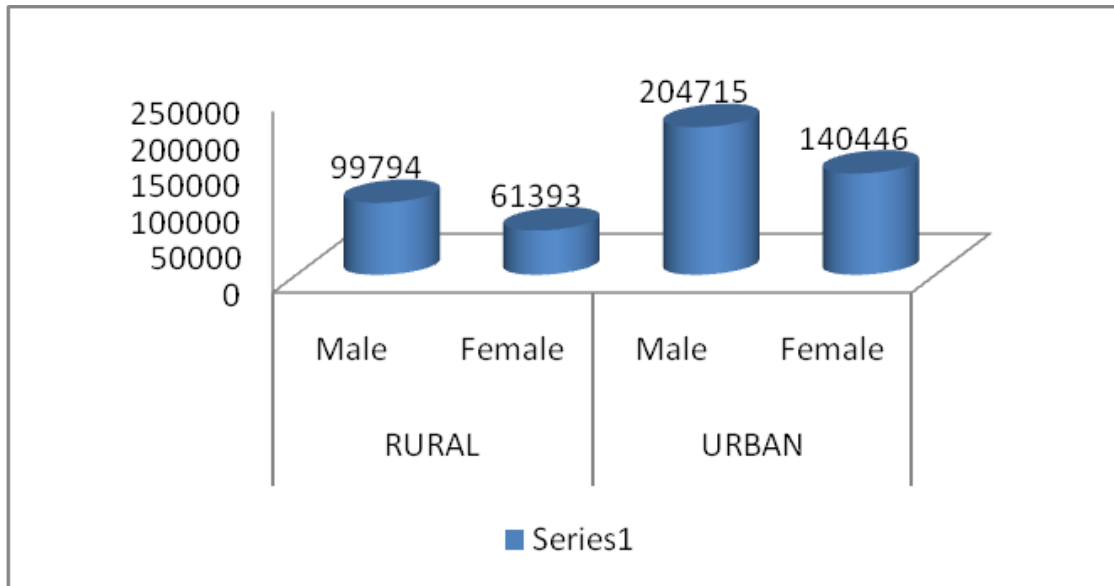


Source: www.pmjdy.gov.in

Progress of Atal Pension Yojana

Subscribers of Atal Pension Yojan as on 15/7/2015

| Rural | | Urban | |
|----------|----------|----------|----------|
| Male | Female | Male | Female |
| 99794 | 61393 | 204715 | 140446 |
| 19.7085% | 12.1246% | 40.4297% | 27.7370% |



Source: http://www.jansuraksha.gov.in/Files/Reports/15.07.2015.pdf

The total number of enrollments made the APY scheme as of July 15, 2015, was 5.06 lakhs comprising 19.70 % and 12.12 % from rural males and rural females, respectively. In urban areas, people enrolled with the maximum percentage of 40.42 and 27.73 with males and females, respectively. The graph depicts that the contributors in urban place is almost double that of contributors in the rural area.

Findings

- Modi's Government comes forward to provide financial inclusions to weaker sections and low-income groups at an affordable cost.
- The study reveals that Pradhan Manthri Jan Dhan Yojana provided more financial inclusions for low-income groups.
- Found that in urban areas, people enrolled with the maximum percentage compared to the rural areas.
- Statistics show that public sector banks have contributed to making the scheme successful in both rural and urban areas compared to private banks.

Suggestions

- Most of the beneficiaries are from the urban areas, so the government should educate rural areas people about the schemes.
- Government should focus on reviews and regular checks regarding the different schemes.
- Government should provide training programs for financial institutions for the betterment of schemes.
- Regular checks regarding schemes can put a check on corruption.

Conclusion

For the success of the financial inclusion initiative, what is essential is to provide financial services at an affordable cost to the disadvantaged and low-income groups. The Government of India has to perform a vital role in this regard. The most excellent step to eradicate poverty is financial inclusion through PMJDY, APY, PMJJBY & PMSBY. However, the road towards 100% financial inclusion is yet to be complete. For the success of any scheme, constant review and regular checks are essential. Successful implementation would not only reduce poverty but also puts a check on corruption. A bold first step by NDA Government indeed helped many to come into the mainstream of the economy and reduce financial un-touchability.

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