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ASSESSING THE IMPACT OF GOVERNMENT SCHEMES ON FINANCIAL INCLUSION AND DEVELOPMENT

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ABSTRACT

The study examines the significance and advantages of financial inclusion, as well as the role of various government initiatives in promoting it. Financial inclusion is a contemporary strategy employed by financial institutions to deliver appropriate financial education to individuals with limited financial literacy. Financial inclusion seeks to elucidate the financial instruments accessible to lower-educated demographics, so enhancing their daily lives. Financial inclusion is seen as a vital facilitator of sustainable development and poverty alleviation, as it empowers individuals and communities to accumulate assets and invest in education and healthcare. Governments, financial institutions, civil society organisations, and the corporate sector each play crucial roles in promoting financial inclusion via policy initiatives, collaborations, and innovative solutions. Government initiatives such as the Skill India Mission, Make in India, and Digital India contribute significantly to the success of financial inclusion. The primary objective of the Skill India mission is to augment employment opportunities and productivity; however, it also significantly contributes to financial inclusion by equipping individuals with the requisite skills, knowledge, and opportunities to engage effectively in the formal economy and access vital financial services. The primary aim of this article is to analyse financial inclusion and the influence of government initiatives. To attain the target, secondary data will be utilised, sourced from various websites and journals for examination.

KEYWORDS*: Financial Inclusion, Financial Development, PMJDY, PMMY.*

Introduction

Financial inclusion is a governmental priority essential for attaining inclusive national growth and sustainable economic development. Financial inclusion refers to the provision of access to financial services and products for persons and enterprises that are typically marginalised from the conventional financial system. Financial inclusion development pertains to continuous efforts and initiatives aimed at enhancing access to financial services and products for marginalised and excluded individuals.

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Governments, financial institutions, international organisations, non-governmental organisations (NGOs), and technological innovators all contribute to its development. Governments establish regulations and frameworks that encourage financial firms to offer services to neglected regions and demographics. These policies often entail requirements or incentives for banks to create branches in rural or remote areas, offer fundamental banking services at competitive prices, and implement technology-driven solutions to access unbanked populations. To advance and achieve the goals of financial inclusion, the Government has initiated numerous programs such as PMJDY, APY, PMMY, Stand Up India Scheme, and NPS.

The initiative to integrate the financially marginalised element of society into the formal financial system in India is not novel. The Reserve Bank of India and the Government of India have jointly implemented numerous initiatives to integrate them into the mainstream of financial inclusion.

- **2005**

The Reserve Bank of India introduced the concept of financial inclusion in 2005. The RBI, in its midterm review of annual policy statements, urged all banks to synchronise their policies with the overarching objective of financial inclusion. Banks were advised to offer "No frills accounts" with minimal or negligible balances and fees for a significant segment of the population, in addition to expanding financial services to rural and disadvantaged communities.

- **2006**

In 2006, the Reserve Bank of India implemented a branchless banking concept via Bank Mitr (Business Correspondents/Business Facilitators). This model enables banks to utilise the services of NGOs, SHGs, MFIs, and other civil society organisations to deliver financial services, including account opening, cash deposits, withdrawals, transfers, balance enquiries, and mini statements.

- 2011

In 2011, the "Swabhimaan Campaign" was initiated with business correspondents to deliver banking services to villages with populations exceeding 2000 persons. The Bank Mitr (Business Correspondents) significantly contributed to this initiative by visiting 74,351 communities on certain days and successfully establishing numerous accounts. This campaign achieved only limited impact and reach due to several factors: it targeted only rural villages with populations of two thousand or more; business correspondents visited villages on specific days; there was no access to the internet or mobile banking; KYC formalities were excessively cumbersome; the focus was solely on account opening, resulting in many dormant accounts; there was a lack of account interoperability; no clear guidelines for Bank Mitr remuneration; many bank correspondents were untraceable; there was insufficient involvement from state or district authorities; monitoring was left to banks; there were no credit facilities or grievance redressal systems; financial literacy initiatives were neglected; and there was a lack of brand visibility for the campaign and Bank Mitr.

Review of Literature

A multitude of experts have examined the necessity, promise, and obstacles of Financial Inclusion in India, as well as its role in facilitating economic growth and enabling marginalised groups to access financial services.

Sarma M 2011 analyses the correlation between financial inclusion and development by identifying country-specific characteristics that influence degrees of financial inclusion. It seeks to experimentally ascertain country-specific parameters correlated with the degree of financial inclusion. Studies demonstrate a significant association between a nation's human growth and its levels of financial inclusion. The research identified a significant positive association between human development and financial inclusion, with limited exceptions. Kim's 2018 efforts to delineate the academic research landscape at the convergence of mobile financial services, financial inclusion, and development have been markedly limited. This study conducts a comprehensive evaluation of 54 academic papers to identify significant issues and deficiencies in existing research on mobile financial services, financial inclusion, and development. This project seeks to address a research vacuum and enhance evidence-based policy-making and practices for inclusive mobile-based financial services. This will delineate existing knowledge and pinpoint critical aspects influencing the successful integration of MFS, financial inclusion, and development. Ahmad, A. H. (2020) The research underscores the significance of financial inclusion in fostering social and economic advancement. The study examines the impact of financial inclusion on enhancing India's economic standing relative to other nations. Taxonomic, descriptive, and analytical methodologies employed to assess the current state of knowledge in the field. This study investigates the potential of mobile technology to facilitate economic development and enhance financial inclusion, both in theory and practice. It finishes by identifying some areas requiring more investigation:

The use of mobile money; the correlation between mobile money and financial inclusion; the interchangeability of mobile money and conventional finance; and the examination of the legislative frameworks regulating enterprises that provide mobile money services. Cabeza-García, L. (November 2019) This article examines the influence of female financial inclusion on comprehensive economic development. Financial inclusion, characterised by the accessibility and use of diverse, high-quality financial products and services, helps mitigate income inequality. An instrumental variable analysis is conducted on a sample of 91 countries, encompassing both developed and emerging nations, employing data from the Global Findex (2015) database and the World Bank Data Bank. Bapat and Pandey (2019) examined the perceptions of beneficiaries of the PMKVY initiative. The objective of the study was to ascertain the perceptions of PMKVY beneficiaries in the Mysore district of Karnataka, as their opinions will ultimately influence the initiative's success. The project's success or failure is determined in the final phase. Both students who completed their PMKVY program and those who remained enrolled were taken into account. A chi-square analysis was conducted to verify the accuracy of the submitted data. Balakrishnan and Kumar (2020) This study examines how one purpose of the Skill India initiative is to ensure that millions of untrained workers have access to formal skill development opportunities. One hundred twenty training partners were randomly selected from the 360 available in Tamil Nadu for the study. The findings suggest that there is a weak correlation between training facilities and skill development. Kaur and Dogra (2018) conducted a study on skill development in Punjab. The aim of the research was to ascertain the expenditure on skill development in Punjab by the Punjab Skill Development Mission. The northern state of Punjab is the primary focus of the study. The study selected the districts of Amritsar, Ludhiana, and Jalandhar. Joshi and Pandey (2021) investigated the methods and engagement of youth in Haryana regarding PMKVY training. In Haryana, youth were undergoing PMKVY training throughout five districts encompassing rural, semi-urban, and urban areas. Three hundred eighty-five trainees and recipients participated in standardised questionnaires designed to capture primary data. Grover and Kapoor (2020) did a study on skill development in India. The aims of this study are to analyse skill development in India and assess the degree to which society acknowledges the concept of skill development. The study employs a questionnaire alongside various journals and publications to utilise both primary and secondary data. The primary focus of the study was the analysis of primary data, encompassing people aged 15 to 30. The majority of respondents in the study concurred that for skill development to be effective, jobs must be created in India. Gaur and Padiya (2015) The analysis of the "Skill India" Mission as a conduit for the "Make in India" Programme was conducted. A national policy for skill development and entrepreneurship was established under the Skill India Mission, and the Make in India Programme was initiated to transform India into a manufacturing powerhouse. To enhance the efficacy of this effort, the Indian government has established various projects, including Digital India, Skill India, Start-up India, and Stand-up India, among others. The research examined the efficacy of the Skill India mission's effort. During an exploratory study, the researcher utilised various secondary data from multiple sources. The study by Yadav, P. (2018) concluded that Make in India will significantly transform sectors such as cars, aviation, biotechnology, defence, media, thermal power, oil, gas, and manufacturing. In conclusion, although "Make in India" was introduced at an opportune moment, its implementation poses significant challenges, particularly in optimising the constantly expanding workforce. Furthermore, while the service sector contributes around 55-60% of GDP, it cannot serve as the primary engine of economic growth. The research relies exclusively on secondary data. The data has been sourced from research journals, publications by the Ministry of Commerce, Government of India, various RBI bulletins, and verified websites.

Objectives

- To study the concept of Financial Inclusion and development.
- To study the initiatives taken by government to promote Financial Inclusion.

Significance of the Study

This article elucidates the necessity of Financial Inclusion in India, which is crucial for advancing inclusive and sustainable development, mitigating poverty and inequality, stimulating economic growth, and constructing more resilient and inclusive societies. It also discusses several government schemes that encourage financial inclusion.

Research Methodology

The research design chosen for this study is descriptive design. This study use the secondary data gathering approach to gather the required data. The data were gathered from journals, periodicals, publications, essays, research papers, and websites.

The Government of India has initiated many policies that facilitate the success of financial inclusion.

Schemes under Financial Inclusion

- **PMJDY**
- **PMMY**
- **Stand Up India**
- **Skill India Mission**

Pradhan Mantri Jan Dhan Yojana

Notwithstanding the initiatives of the RBI and GOI to foster financial inclusion, poverty and exclusion persist as significant concerns in India's socioeconomic and political discourse, even after sixty years of independence. Nevertheless, the government and the RBI persisted in their endeavours to attain complete financial inclusion. The Pradhan Mantri Jan Dhan Yojana is a crucial step towards accomplishing this objective. On August 15, 2014, Prime Minister Narendra Modi proclaimed a national mission for financial inclusion during his inaugural Independence Day address. The initiative was officially launched on August 28, 2014. The "Pradhan Mantri Jan-Dhan Yojana (PMJDY)" seeks to deliver financial services including as basic savings bank accounts, necessity-based credit, remittances, insurance, and pensions to marginalised and low-income individuals. This extensive penetration at a reasonable cost is achievable alone through the efficient application of technology. PMJDY seeks to reach 7.5 crore unbanked families in the nation by January 26, 2015.The primary objective of PMJDY is to promote awareness regarding account opening among all households in rural and urban regions, in addition to fostering financial literacy. www.pmjdy.guv.in

Table 1: Availability of Banking Services in India (all amount In Crore)

Bank Name/ Type	No of beneficiaries in Rural/ Semiurban	No of beneficiaries in urban	No of female beneficiaries	No of total beneficiaries	Deposit in accounts
Public sector banks	25.36	15.13	22.32	40.50	180519.40
Regional rural banks	8.30	1.37	5.62	9.67	45113.73
Private sector banks	0.74	0.86	0.85	1.59	6869.08
Rural corporative banks	0.19	0.00	0.10	0.19	0.01
Grand total	34.58	17.36	28.90	51.95	232502.22

Table 1 regarding the accessibility of financial services in India. The subsequent data pertains to several banks and the number of beneficiaries. The public sector bank serves 25.36 million beneficiaries from rural areas. And 15.13 crore from urban areas. The number of female beneficiaries is 22.32 crore. A total of 40.50 crore beneficiaries are receiving benefits from public sector banks. An amount of 180,519.40 crore is deposited in this bank.

PMMY

The Pradhan Mantri Mudra Yojana (PMMY) is the premier initiative of the Government of India. The project offers microcredit loans of up to Rs. 10 lakhs to income-generating micro enterprises engaged in the non-farm sector, encompassing manufacturing, trading, or service industries, as well as agricultural operations such as poultry, dairy, and beekeeping. The Scheme offers financial assistance to non-corporate, non-agricultural income-generating activities of micro and small enterprises via member lending institutions.

- Loans under the Pradhan Mantri Mudra Yojana can be obtained through qualified Member Lending Institutions (MLIs), which comprise:
  - Public Sector Banks
  - Private Sector Banks

- State operated cooperative banks
- Rural banks from regional sector
- Micro Finance Institution (MFI)
- Non-Banking Finance Company (NBFC)
- Small Finance Banks (SFBs)
- Other financial intermediary approved by Mudra Ltd. as member financial institutions

- The program is categorised into three classifications: 'SHISHU', 'KISHORE', and 'TARUN', which denote the developmental stage and finance requirements of the beneficiary micro unit or entrepreneur.
  - **Shishu**: Covering loans upto Rs.50,000/-.
  - **Kishore**: Covering loans above Rs.50,000/- and upto Rs. 5 lakhs.
  - **Tarun**: Covering loans above Rs. 5 lakhs and upto Rs. 10 lakhs

Performance of PMMY in Eight years

- The Prime Minister's principal initiative, Pradhan Mantri Mudra Yojana (PMMY), has financed previously unfunded micro firms and small businesses for eight years. The initiative has disbursed loan accounts amounting to 22.89 lakh crore to 41.16 crore borrowers, predominantly from marginalised populations.
- Empowering women through 68.62% of loan accounts held by female beneficiaries.
- Meeting the credit requirements of marginalised groups, with 50.80% of loan accounts attributed to SC/ST/OBC individuals.

Table 2: Annual Report of PMMY 2022-23

Category	FY 2022-23		FY 2021-22		% change disbursement amt
	No. of loan accounts	Disbursement Amt.	No of loan accounts	Disbursement amt.	
	Share		Share		
Shishu	43077851 69.13%	141609.85 31.44%	4,17,21,54 77.56%	1,23,969.05 37.41%	14.23%
Kishor	17915912 28.75%	200936.63 44.61%	1,10,88,206 20.61%	1,33,389.24 40.25%	50.64%
Tarun	1316835 2.12%	107877.18 23.95%	9,86,166 1.83%	74,043.91 22.34%	45.69%
Total	62310598	450423.66	53795526	331402.20	35.91%

Stand Up India Scheme

"Stand Up India" is a premier project established by the Government of India to foster entrepreneurship among women, Scheduled Castes (SCs), and Scheduled Tribes (STs) by facilitating access to loans and additional support services. The initiative was unveiled by Prime Minister Narendra Modi on August 15, 2015, as a component of the government's overarching strategy to promote economic growth and development via entrepreneurship. The aim of Stand Up India is to enable bank loans ranging from 10 lakh to 1 crore for at least one borrower from a scheduled caste or scheduled tribe, as well as one female borrower, every bank branch to establish a Greenfield firm. This firm may operate in manufacturing, services, agri-allied industries, or the trading sector; in the case of non-individual enterprises, at least 51% of the shareholding and controlling interest must be held by either a Scheduled Caste/Scheduled Tribe or a woman entrepreneur.

Skill India Mission

The Skill India Mission is a premier program established by the Government of India to equip the nation's young with employable skills. On August 15, 2014, Narendra Modi, the Prime Minister of India, declared at the Red Fort, "Skilling is building a better India." To advance India's growth, talent enhancement must be our objective. The Hon'ble Prime Minister launched the National Skill Development Mission on July 15, 2015, coinciding with World Youth Skills Day. The objective is to enhance skill training across all sectors and regions. The Pradhan Mantri Kaushal Vikas Yojana (PMKVY), started in 2015, is the flagship initiative of the Ministry of Skill Development and Entrepreneurship, designed as an outcome-based skill training program. The objective of the Pradhan Mantri Kaushal Vikas Yojana is to furnish skill and vocational training to the nation's young. The initiative has identified particular industries and vocational categories for which youth are enrolled in training programs nationwide. The objective of this program is to equip the kids with the skills necessary to secure their livelihoods. Over 90 percent of participants in a recent PMKVY research report conducted by NSDC expressed satisfaction with the facilities, trainer quality, curriculum, and other aspects. Only 36 percent of trained and certified respondents expressed satisfaction regarding placement assistance (Nehru, 2022).

Table 3: Performance of PMKVY as on Dec. 2023

		No of Candidate
1.	Enrolled candidate	1,42,65,716
2.	Assessed candidate	1,24,54,858
3.	Trained candidate	1,37,24,226
4.	Certified candidate	1,1041,245
5.	Reported placed	24,51,517

Source: https://www.pmkvyofficial.org

The Skill India Mission allows individuals to establish their own enterprises by offering skill development training and entrepreneurial support. Access to financial services, including credit and savings accounts, is essential for entrepreneurs to initiate and expand their enterprises. Skill India can partner with financial institutions to guarantee that entrepreneurs have essential financial support and access to formal financial services. Skill India may integrate financial literacy training with its skill development initiatives. Skill India can empower individuals by imparting knowledge on budgeting, savings, borrowing, and financial planning, enabling them to make informed financial decisions and successfully use financial goods and services. This can assist individuals in developing financial resilience and enhancing their financial well-being.

Conclusion

The Indian government prioritises financial inclusion to foster inclusive and sustainable economic development. Financial inclusion provides banking services to unbanked individuals, promoting savings behaviour, enhancing capital accumulation, and enabling access to formal credit. Financial inclusion is essential for closing the divide between subsidies and social programs. Direct Benefit Transfer (DBT) disburses funds directly into users' bank accounts, enabling them to fully capitalise on social programs. Financial inclusion initiatives rely on several aspects, including their efficacy in meeting objectives, their influence on the target demographic, and their sustainability. Financial inclusion initiatives has the capacity to enhance the lives of millions by broadening access to financial services, alleviating poverty, fostering economic development, and empowering marginalised populations. Nonetheless, their success is contingent upon multiple circumstances, necessitating continuous assessment and alteration to guarantee their efficacy and sustainability.

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