

## Financial Inclusion in Rising India



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***“I dream of a digital India where mobile & e-banking ensures Financial Inclusion”***

*Prime Minister Shri Narendra  
Modi*

**“Financial Inclusion”** is the way the Governments strive to take the common man along by bringing them into the formal channel of economy thereby ensuring that even the person standing in the last is not left out from the benefits of the economic growth and is added in the mainstream economy thereby encouraging the poor person to save, safely invest in various financial products and to borrow from the formal channel when he need to borrow.

Lack of financial inclusion is costly to society and the individual. As far as the individual is concerned, lack of financial inclusion forces the unbanked into informal banking sectors where interest rates are higher and the amount of available funds much smaller. Because the informal banking structure is outside any legislative framework, any dispute between lenders and borrowers cannot be settled legally. **As far as the social benefits are concerned, financial inclusion increases the amount of available savings, increases efficiency of financial intermediation, and allows for tapping new business opportunities.**

State sponsored universal banking has therefore contributed to greater economic diversification in rural areas than is the case in more competitive banking environments. **With structural adjustment programs being introduced in the 1980s and 1990s, financial market reforms swept over many developing countries.** At the beginning of 20<sup>th</sup> century, India had insurance companies (both life and general) and a functional stock exchange

Scope of the financial inclusion is not limited to only banking services but it extends to other financial services as well like insurance, equity products & pension products etc. Thus, financial inclusion is not just about opening a simple bank account with a branch in an unbanked area.

Adding the common man into the mainstream economy has other advantages as well as *on the one hand* it helps inculcate the vulnerable section of the society to save money for its future and the rainy days, take benefits of the economic activities of the country by participating in various financial products like, banking services, insurance & pension products etc., *on the other hand*, it helps the country to increase the rate of 'capital formation' which in turn, give a push to the economic activities in the economy by channelizing the money from every nook & corner of the country.

In the absence of people of a country financially included in the mainstream, they often tend to park their savings/ invest in the non-productive assets like land, buildings & bullion etc. While, financially included people can easily avail the credit facilities, whether they are sitting in the organised or unorganised sector, urban or rural sector. *Micro Finance Institutions (MFIs)* are the classic examples for providing easy & affordable credit to poor people and have got written innumerable success stories.

This phenomenon of financial inclusion also helps government plug gaps & leakages in public subsidies & welfare programmes as government can directly transfer the subsidy amount into the account of the beneficiary rather than to subsidise the product. In fact, the Government has even saved by around more than Rs. 57,000 crores in its subsidy bill and has ensured that the benefit of the subsidy reaches to the real beneficiary directly to him/her.

The NDA government led by Prime Minister Sh.Narendra Modi made itself committed, since beginning of its term, to give special emphasis on the financial inclusion of every person of the country. One of the most crucial of the several steps taken by this government is JAM- Jan Dhan, Aadhar & Mobile.

**Jan Dhan Yojna** - with a view to increase the penetration of banking services and to ensure that all households have at least one bank account, a National Mission on Financial Inclusion named as **Pradhan Mantri Jan Dhan Yojna** was announced by Prime Minister Sh. Narendra Modi in his independence speech on 15<sup>th</sup> August, 2014 & the scheme was formally launched on 28<sup>th</sup> August, 2014. Within a fortnight of its launch, the scheme entered into the Guinness Book of records for opening a record number of bank accounts. Large scale achievement was made by opening 29.48 crores accounts by Mid-August, 2017 out of which 17.61 crores accounts were in rural/semi-urban areas and the rest 11.87 crores in urban areas.

The additional benefits on opening an account under Jan Dhan Scheme is the customer is issued a RuPay Debit Card having inbuilt insurance cover of Rs 1 Lakh. Besides, an overdraft (OD) facility of Rs 5,000/- is granted to the customer for satisfactory operation of account for 6 months. A life cover of Rs 30,000/- has also been granted to customers for opening the accounts up to a certain time period. The scheme has been a great success and the 99.99% households out of the 21.22 crores households surveyed have been covered under this scheme by December, 2016. More than 44 lakh accounts have been sanctioned OD facility of which more than 23 lakh account holders have availed the facility involving an amount around 300 crores.

**Insurance & Pension schemes** – In order to provide social security system for all citizens and especially to the poor and under-privileged people, the present government launched **Pradhan Mantri Suraksha Bima Yojna** and **Pradhan Mantri Jeevan Jyoti Bima Yojna**.

The former scheme i.e., **Pradhan Mantri Suraksha Bima Yojna (PMSBY)** covers the persons within the age slab of 18 to 70 years and a risk coverage of Rs 2 lakhs is provided at an affordable premium of Rs 12 per annum only. As per the date 12th April, 2017, around 10 crore people were enrolled under Pradhan Mantri Suraksha Bima Yojana (PMSBY). The later scheme, i.e., **Pradhan Mantri Jeevan Jyoti Bima Yojna** covers the persons within an age slab of 18 to 50 years having a bank account. The life cover of Rs 2 lakhs is provided to the insured payable in case of death of

the insured due to any reason. As on 12<sup>th</sup> April 2017 3.10 cr person were enrolled under PMJJBY.

**Atal Pension Yojna** – A scheme launched in 2015 is open to all bank account holders in the age group of 18 to 40 years and they can choose different contributions based on the pension amount. Under this scheme monthly pension is guaranteed to the subscriber and after him to his spouse and after their death, pension corpus as accumulated till the age of 60 years is returned to the nominee of subscriber. Central Government also contributes 50% of the contribution subject to a maximum of Rs 1000 per annum. As on 31<sup>st</sup> March 2017 a total of 46.80 lakh subscribers have been enrolled from Atal Pension yojana with a total pension worth of Rs1713.214cr.

**Varishita Pension Bima Yojana:** All those who subscribe to the VPBY from 15<sup>th</sup> August 2014 to 14<sup>th</sup> August 2015 will receive an assured guaranteed return of 9% under the Policy.

**Pradhan Mantri Mudra Yojna** – Scheme launched in April, 2015 to provide formal access of financial facilities to Non Corporate Small Business Sector. The basic objective of the scheme is to promote & ensure bank finance to unfunded segment of the Indian economy.

In the Mudra Scheme since beginning till 13<sup>th</sup> August 2017, total 8crore 70 lakh loan were distributed out of which 6 crores 56 lakh were given to woman. In this scheme 3 lakh 75 thousand crores were sanctioned (1 lakh 88 crores to woman) and 3lakh 63 thousand crores were disbursed (out of which 1lakh 66 thousand crores were given to woman). The target for 2016-17 was Rs 180,000cr while sanctioned amount is Rs 180528cr which indicate the success of the scheme.

**Other Schemes includes Jeevan Suraksha Bandhan Yojana, Sukanya Samridhi Yojana: Kisan Credit Cards (KCC) and General Credit Cards (GCC), BHIM App.**

Liberalized policy towards ATMs and White label ATMs. To expand the network of ATMs, the RBI has allowed non-bank entities to start ATMs (called 'White Label ATMs'). The RuPay Cards have significantly increased its market share to 38 per cent (250 mn) of the total 645 million debit cards in the country so far. The card has been provided to the account holders of PMJDY (170 million).

Financial Literacy Centers were started by commercial banks at the request of RBI to give awareness and education to the public to access financial products. Here, RBI's policy is that financial inclusion should go along with financial literacy.

The launch of direct benefit transfers through the support of Aadhaar and Bank Account is one of the biggest developments that activated and retained people in the newly opened account.

**Stand up India** – launched to extend bank loans between Rs 10 lakhs to Rs 1 crore for Greenfield enterprises set up by the SC, ST & women entrepreneurs and to provide them handholding support. By Mid-August 2017 38,477 people were given loan up to Rs 8,277 crores out of which 31000 were woman and given loan up to Rs 6,895 crores.

To further strengthen financial inclusion in the country, government has advised the Banks to deploy Micro ATMs in rural areas and consequently, 1,14,518 micro ATMs have been deployed by December, 2016.

**Venture capital Scheme:** In this scheme SC/ST people were encouraged to be Job Provider instead of Job Seekers. Initially in this Scheme loan were provided from 50 lakh to 15 crores which now is changed from 20 lakh to 15 crores. The government had encouraged SC/ST people to stand on their own. Schemes of 70 venture and Fund of Rs 265 crore were approved, funds to 40 venture were already been distributed. These ventures on the average provide employment to 20-25 people. The rate of interest has been reduced from 10% to 8%.

**Conclusion:**

The government is committed to its target of increasing the inclusion of every household in the financial system so that the masses can get all the legitimate benefits arising out of the growth of the country and in turn, the funds mobilised from the people not earlier in the formal channel could also be brought in the formal channel thereby giving the economy of the country an extra thrust to lead the path of growth.

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