INTERNATIONAL JOURNAL OF RESEARCH CULTURE SOCIETY ISSN: 2456-6683 Volume - 4, Issue - 5, May – 2020
Monthly, Peer-Reviewed, Refereed, Indexed Journal Scientific Journal Impact Factor: 5.245
Received on : 06/05/2020 Accepted on : 19/05/2020 Publication Date: 31/05/2020

A Status of Financial Inclusion in India: Performance till 2019

[1] **Dr. Jeniskumar P. Chauhan ,** [2] **Dr. Yogesh C. Joshi**
Ph.D G.H. Patel PG Institute of Business Management, Sardar Patel University, Gujarat, India.
[2]Dean, Faculty of management and Director, G.H. Patel Postgraduate Institute of Business Management, Sardar Patel University Vallabh Vidyanagar, Anand, 388120, Gujarat.
Email - chauhanjenisp@gmail.com

Abstract: *In 1956, India began its financial inclusion journey with the nationalisation of Life Insurance companies which was followed by the Nationalization of Commercial Banks in 1969. Financial inclusion is progressively being recognized as a principal factor of economic growth and poverty alleviation in the world. There has been mounting evidence on how financial inclusion has a cascading effect in boosting overall economic development, reducing poverty, and income inequality in developing countries at the national level. Access to formal financial services can strengthen employment generation, reduce perviousness to economic turbulence, and improvement pf the investments in human capital in the nation. Without adequate access to formal finance, individuals and organizations need to rely on their own limited resources to meet their financial needs and pursue economic growth. In short great financial inclusion can support sustainable and inclusive socio-economic growth. Focus on Last-Mile Formal Financial Delivery has been one of the major thrust areas in various countries. A review of the status of financial inclusion by academia and practitioner in India indicates that a host of initiatives have been undertaken over the years under the financial inclusion umbrella. This paper an attempt has been made to provide an overview of the status of financial inclusion in the past few years in India. The paper used secondary data and information from various research papers, a government website, and circulars. On the basis of the analysis conducted, it can be stated that financial inclusion is in a progressive stage in the country*

Key Words: *Financial Inclusion, Indian Economy, Inclusive Growth, Initiatives, Formal Finance.*

1. INTRODUCTION:

"If the misery of the poor be caused not by the laws of nature, but by our institutions, great is our sin." –
Charles Darwin

The progress of financial inclusion in the past two decades has been one of the intensive efforts and incremental experimentation. Providing Universal Access to Financial Services by expanding the outreach is the fundamental pillar for an effective financial inclusion strategy. With the launch of the PMJDY in 2014, the total number of formal access points have increased in the country. On account of the financial inclusion efforts made by the Government of India, RBI, there has been tremendous progress in increasing the number of banking outlets and bank accounts. Over the years, financial inclusion has moved from a bank-led model to a multi-stakeholder led approach with the role of Telecom Service Providers and Fin-Tech companies appearing as important stakeholders in the pursuit of inclusive growth. The financial inclusion of women is extremely important for gender equality and women's economic empowerment. With greater control over their economic lives, women can help themselves and their families coming off poverty. Financial inclusion is becoming a priority area for banks, NBFCs, Financial Technology (FinTechs), and other financial establishments. Small Finance Banks have also been established to greater financial inclusion with a customer base comprising mainly of small enterprises, migrant workforce, low-income households, and other unorganised/informal sector institutions.

Financial inclusion has been defined as "the process of ensuring access to financial services, timely and adequate credit for vulnerable groups such as weaker sections and low-income groups at an affordable cost".[1] While a lot of efforts have been undertaken to increase financial inclusion in the country, a lot of steps are further needed to ensure adequate access to formal financial services and usage of these by various segments of the underprivileged population in India. An inclusive financial system is not only pro-growth but also pro-poor with the capacity to reduce income inequality and poverty, shared economic development, and promote social cohesion. Financial inclusion depends on the three parameters likely.

[1] Committee on Financial Inclusion - Chairman: Dr C Rangarajan, RBI, 2008

Crucial Milestone of Financial Inclusion

Table 1- Financial Inclusion Milestone

Event	Year
Imperial Bank of India was nationalized.	1956
National Credit Council was set up.	1968
Lead bank scheme was introduced	1969
Priority sector lending norms were laid down.	1971
Regional Rural Banks (RRBs) were established.	1975
National Bank for Agriculture and Rural Development (NABARD) was established	1982
Self Help Groups Linkage Programme was launched to support females of rural areas.	1992
SIDBI foundation was established for making provisions of micro credit.	2000
Khan Committee was set up by Reserve Bank of India.	2004
Pilot project on financial inclusion was introduced in Mangalam village of Pondicherry by Chairman of Indian Bank Dr. K.C. Chakraborty	2005
Bill on Microfinance Regulation was proposed in parliament.	2007
Finance Department of Government of India passed Microfinance Institutions (Development and Regulation)	2012
Revised Guidelines on Financial Literacy Centres were introduced.	2012

2. INITIATIVES :

2.1- Pradhan Mantri Jan Dhan Yojna (PMJDY):

The Government commenced the National Mission for Financial Inclusion (NMFI), including, Pradhan Mantri Jan Dhan Yojana (PMJDY) in August 2014 to furnish universal formal banking services for every unbaked household. The objective of PMJDY is to serving banking facilities to unbanked, unsecured, unfunded in underserved areas. A digital channel has been prepared for the implementation of PMJDY through linking of PMJDY account with mobile and Aadhaar. In order to achieve a universal social security system for all, especially the poor and the most disadvantaged, three ambitious Jan Suraksha Schemes or Social Security Schemes concerning Insurance and Pension Sector were announced by the Government. One of the benefits under the scheme is providing life insurance cover of Rs 30,000/- on the death of the life assured due to any reason to the deceased's family who has opened bank account between 15.08.2014 to March- '15.

Access of Banking

Table2- Bank branches of Scheduled Commercial Banks

As on	Rural	Semi Urban	Urban	Metropolitan	Total
March- 2014	41,862	32,590	20,828	22,544	117,824
March- 2015	45,118	34,963	22,354	24,058	123,493
March- 2016	48,244	37,647	23,944	26,610	135,445
March- 2017	49,820	39,059	24,977	26,655	140,511
March- 2018	50,735	39,694	25,377	26,887	142,693

Source: RBI

Table 3- ATM of Banks

As on	Off-site ATM	On-site ATM	Total ATM
March- 2014	76676	83379	160055
March- 2015	92337	89061	181398
March- 2016	97149	101950	199099
March- 2017	112666	109809	222475
March- 2018	115471	106776	222247

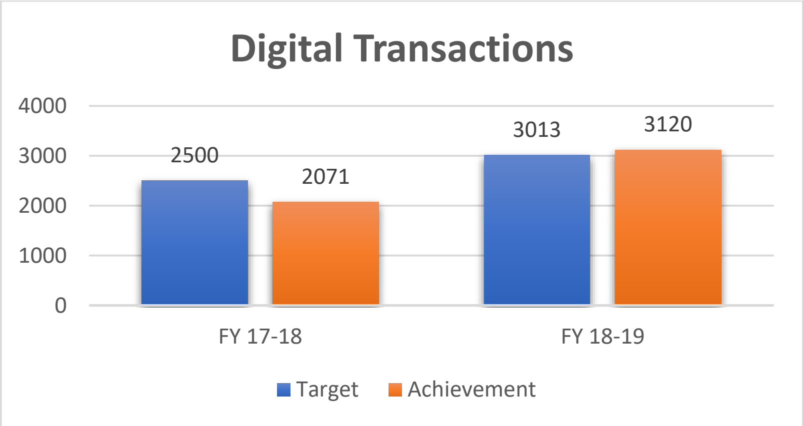
Source- RBI

Table 4- Banking Infrastructure and Digital Transaction

Banking Infrastructure (March 2018)	Total Number
Rural / Semi Urban Branches	91196
Urban / Metro Branches	52803
Total Branches	143999
ATMs	220051
Rural Business Correspondents Agents Under PMJDY	126348

Source- RBI

Number of Digital Transaction in crore



The number of card acceptance devices of Point of Sale (POS) has increased from 10.7 lakh in March 2014 to 37.22 lakh in March 2019.

PMJDY

Table 5- Status of PMJDY

Particular	March 15	March 16	March 17	March 18	March 19
No. of accounts (in Crore)	14.72	21.43	28.17	31.44	35.27
Deposit in accounts (in Rs. Crore)	15,670	35,672	62,972	78,494	96,107
Average Deposit per account (in Rs.)	1,065	1,665	2,235	2497	2,725
Number of RuPay debit cards issued to account-holders (in Crore)	13.14	17.75	21.99	23.65	27.91

It is derived from the above table that on major parameters, consistent progress has been observed under PMJDY over the years. Since its inception, over 35 crore new accounts have been opened and over Rs. 96,000 crores have been deposited by the newly banked people in the formal banking system. The number of operative PMJDY accounts has increased from 17.01 crore on March'17 to 27.54 crore on March'19. Out of total saving accounts there were overall 27 per cent female accounts in March-14 also There were 53 per cent women Jan-Dhan account holders and 59 per cent Jan-Dhan accounts are in rural and semi-urban areas.

2.2- Stand Up India Scheme :

Government of India launched the Stand Up India scheme on 5th April, 2016. Stand Up India scheme caters to promoting entrepreneurship amongst those population who facing significant hurdles due to lack of advice/mentorship as well as inadequate and delayed credit i.e. women, Scheduled Caste/ Scheduled Tribe (SC & ST category). The Scheme facilitates bank loans between Rs.10 lakh and Rs.1 crore to at least one SC & ST borrower and at least one Woman borrower per bank branch of Scheduled Commercial Banks for setting up greenfield enterprises in trading, manufacturing and services sector.

Table 6- Performance under Stand Up India Scheme (Amt. in INR crore)

	SC		ST		Women		Total	
	No of A/Cs	Sanct. Amt.	No of A/Cs	Sanct. Amt.	No of A/Cs	Sanct. Amt.	No of A/Cs	Sanct. Amt.
March-2019 *Cumulative*	10451	2096.25	3103	646.1	59429	13342.72	72983	16085.07

2.3- Pradhan Mantri Mudra Yojna (PMMY):

An important aspect of financial inclusion is enabling the flow of credit to small businesses. In pursuance of the announcement in the Union Budget 2015-16, the Micro Units Development finance Agency (MUDRA) was set-up and the PradhanMantri Mudra Yojana (PMMY) launched on 8th April, 2015. For achieving sustained expansion in the flow of credit to the non-corporate small business sector, loans up to Rs. 10 lakh without collateral are extended to borrowers under PMMY.

Table 7- Performance under PMMY

PMMY	2015-16	2016-17	2017-18	2018-19	Total
No. of Accounts (in crore)	3.49	3.97	4.81	5.99	18.26
Loan Amount Sanctioned (Rs. in crore)	1,37,449	1,80,528	2,53,677	3,21,722	8,93,376

Social Security Scheme

In order to move towards creating a universal social security system for all Indians, specially the poor and the under-privileged, three ambitious Jan Suraksha Schemes or Social Security Schemes pertaining to Insurance and Pension Sector were announced by the Government.

2.4- Pradhan Mantri Suraksha Bima Yojana (PMSBY):

The Scheme is available to people in the age group 18 to 70 years with a bank / Post office account who give their consent to join / enable auto-debit on or before 31st May for the coverage period 1st June to 31st May on an annual renewal basis. Aadhar would be the primary KYC for the bank account. The risk coverage under the scheme is Rs. 2 lakh for accidental death and full disability and Rs. 1 lakh for partial disability. The premium of Rs. 12 per annum is to be deducted from the account holder’s bank / Post office account through ‘auto-debit’ facility in one instalment.

Table 8- Performance under PMSBY as on March- 2019

Total Enrolments	15.47 crore
No of Claims settled	32176
Claimed Amount	Rs. 643.52 crore

2.5- Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY):

The scheme is available to people in the age group of 18 to 50 years having a bank/ Post office account who give their consent to join / enable auto-debit. Aadhar would be the primary KYC for the bank account. The life cover of Rs. 2 lakhs is available for a one year period stretching from 1st June to 31st May and is renewable. Risk coverage under this scheme is for Rs. 2 Lakh in case of death of the insured, due to any reason. The premium is Rs. 330 per annum which is to be auto-debited in one instalment from the subscriber’s bank / Post office account.

Table 9- Performance under PMJJBY as on March- 2019

Total Enrolments	5.91 crore
No of Claims settled	135212
Claimed Amount	Rs. 2704.24 crore

2.6- Atal Pension Yojana (APY):

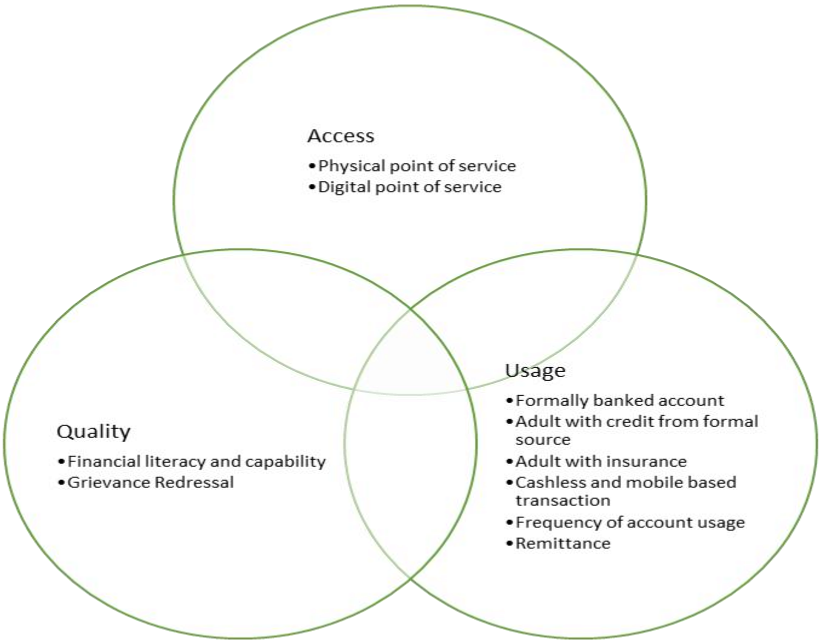
Atal Pension Yojana (APY) is being implemented with effect from 1st June, 2015. The Scheme aims to provide monthly pension to eligible subscribers not covered under any organized pension scheme. APY is open to all bank and post office account holders in the age group of 18 to 40 years. Under APY, any subscriber can opt a guaranteed pension of Rs 1000 to Rs 5000 (in multiples of Rs. 1,000) receivable at the age of 60 years.

As on 31st March 2019, the number of subscribers is 149.53 lakh with Asset under Management (AUM) of Rs. 6860.30 crore.

3. Measurement of progress of financial inclusion:

Periodic evaluation of financial inclusion policies provides academia and practitioner with necessary insight to understand the achievement made in the country and address issue and challenges through coherent approach. Quantifying financial inclusion progress is undertaken across three dimensions of access, usage and quality. Where

- Access: Details pertaining to access points in the form of Banking Outlets, ATMs and Point of Sale (PoS) terminals.
- Usage: How the products are being used by the target customers
- Quality: The supporting pillars that ensure that the customers can use the financial services to their satisfaction



4. Recommendation :

On the basis of the in-depth review of various literatures and academia certain observation have been made and suggestions can be incorporated in Indian banking system.

- There is a need to expand the digital infrastructure through better networking of bank branches.
- Need to encourage people to adaptation and acceptation of digital payment and bringing them into one roof of formal financial system.
- Need to encourage and incentivise capacity building of BCs.
- Strong need to set up robust customer grievance redressal mechanism.
- Encourage decentralized approach for planning and development. Need to involve local stakeholders into it. For ex, Gram Panchayat, NGO, Civil Society, etc.

5. CONCLUSION :

There is a dire need to provide quality financial services in rural areas for economic growth and development. Government of India has taken sincere efforts in bringing the citizens of India under the umbrella of formal banking services. But still some segment of the nation is lagging behind even though financial inclusion initiatives are in progressive stage. Rapidly developing technology has also played a pivotal role in bridging the financial divide of the nation. Extensive efforts are needed not only from banks and other financial institutions, but also from an array of other stakeholders including civil society. The need for an objective and a scientific assessment of the progress made in financial inclusion cannot be overlooked.

REFERENCES:

1. Anonymous. (2003) All India Debt And Investment Survey; Basic Statistical Return of SCBS (Reserve Bank Of India) March, Census Of India, 2001, Central Statistical Organization
2. Ambarkhane, D., Singh, A. S., & Venkataramani, B. (2016). Measuring financial inclusion of Indian states. International Journal of Rural Management, 12(1), 72-100.
3. Bihari, S.C. (2011). Financial inclusion-The key to emerging India. Asian Journal of Research in Social Sciences and Humanities, 1(1), 47-66. Retrieved from http://www.aijsh.org/setup/socialscience/paper
4. Dev, S. M. (2006). Financial inclusion: Issues and challenges. Economic and political weekly, 4310-4313.

5. Garg, S., & Agarwal, P. (2014). Financial Inclusion in India–a Review of Initiatives and Achievements. Journal of Business and Management (IOSR-JBM), 16(6), 52-61.
6. Jeniskumar Chauhan and Yogesh C Joshi (2018). Pradhan Mantri Jan Dhan Yojana (PMJDY): An Initiative towards Including the Excluded People. International Journal For Innovative Research In Multidisciplinary Field. Vol- 4, Issue - 7, July, 25-31
7. Jeniskumar Chauhan and Yogesh C Joshi (2019). Status and Challenges of Financial Inclusion: An Evidence from Rural Gujarat. International Journal of Advances in Social and Economics, Vol 1, No 5 November
8. Kaur, M. S., Kaur, M. M., & Madan, M. P. (2017). Financial Inclusion in India. International Education and Research Journal, 3(5), 655-658.
9. Kumar, N. (2013). Financial inclusion and its determinants: evidence from India. Journal of Financial Economic Policy, 5(1), 4-19.
10. Srijanani, D. (2012). Financial inclusion: Taking banking services to the common man. International Journal of Management and Business Studies, 2(3), 54-58.
11. Sujlana P. and Kiran C (2018). A Study on Status of Financial Inclusion in India. International Journal of Management Studies, Vol.–V, Issue –2(3), April, 96-104
12. Ranjani, K. S., & Bapat, V. (2015). Deepening Financial Inclusion Beyond Account Opening: Road Ahead for Banks. Business Perspectives and Research, 3(1), 52-65.
13. Tamilarasu, D. A. (2014). Role of Banking sectors on financial inclusion development in India–An analysis. Galaxy International Interdisciplinary Research Journal, 2(2), 272-276
14. Chakrabarty K.C (2011). Financial Inclusion: A Road India Needs to Travel, RBI Bulletin, November, 2011. Chakrabarty, K. C. (2013). Financial Inclusion in India – Journey So Far and Way Forward. Keynote Address at the Finance Inclusion Conclave. Organized by CNBC TV, 18.
15. International Monetory Fund (2016). Financial Access Survey. Retrieved from https://www.imf.org/en/News/Articles/2016/10/03/PR16441-IMF-Releases-the-2016-Financial-Access-Survey
16. Ministry of Finance (2016). Overview and Progress on Financial Inclusion. Retrieved from https://financialservices.gov.in/sites/default/files/Overview%20and%20Progress%20on%20Financial%20Inclusion%20.pdf
17. Reserve Bank of India (various years). Report on Trend and Progress of Banking in India. Retrieved from
18. https://www.rbi.org.in/scripts/AnnualPublications.aspx?head=Trend%20and%20Progress%20of%20Banking%20in%20India
19. Karmakar, K. G. (Ed.). (2008). Microfinance in India. SAGE Publications India.

Web References:

- https://financialservices.gov.in/sites/default/files/Financial%20Inclusion_annual%20report_material31.3.2019.pdf
- https://financialservices.gov.in/sites/default/files/Stand%20Up%20India%20and%20MUDRA.pdf
- https://financialservices.gov.in/sites/default/files/Social%20Security%20Schemes.pdf
- https://financialservices.gov.in/financial-inclusion
- https://www.nabard.org/
- https://www.finmin.nic.in/
- http://www.iibf.org.in/documents/IIB-BankQuestJuly-Sep2009.pdf
- https://www.bis.org/review/r130201d.pdf