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Government Initiatives on Financial Inclusion In India

Dr Kamakula N. Murthy
Assistant Professor of economics
St. Josephs College for Women (A), Visakhapatnam

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I. Introduction

Financial inclusion is being widely acknowledged across the world as a major driver of economic growth and poverty reduction. Individuals and businesses must rely on their own limited resources or on costly informal sources of funding to satisfy their financial requirements and pursue development possibilities in the absence of appropriate access to formal financial services. Financial inclusion is on the rise globally, according to the most current Global Findex database, which was published in 2017. Since 2011, 1.2 billion individuals have allegedly opened a bank account, with 515 million of them doing so in 2014. Between 2014 and 2017, the percentage of adults who have a bank account or use a mobile money service increased from 62 percent to 69 percent throughout the world, and from 54 percent to 63 percent in developing countries. Nonetheless, in emerging nations, the proportion of women with bank accounts is 9 percentage points lower than that of males (Demirguc-Kunt et al 2018). Given the importance of financial inclusion in today's world, it's worth taking a look at the measures that have been put in place to promote the goal of financial inclusion in the country. Financial inclusion is defined as "a process characterised by an increase in the number, quality, and efficiency of financial intermediary services," which aids in the development of lives, the creation of opportunities, and the strengthening of economies. Financial inclusion encourages local savings, which leads to more productive investments in local companies (Babajide et al 2015). This study has made an attempt to discuss the Government of India’s initiatives on financial inclusion since 2006 to till date.

II. Objectives

The principal objectives of the study are

I. To explore the government efforts towards the inclusive growth through financial inlcusion.
II. To examine the initiatives gaps and drawbacks for further research developments in the country.

III. Methodology

The prasent study adopted the secondary source of data to evaluate the the government flagship programmees towards financial inclusion. The study focuced those initiatives which are directely associated with financial inclusion since 2006 to till date. The secondary data source are officail websites of the schemes, Economic Survey, Niti Ayaog, NSSO reports, Government of india’s reports on case studies of financial inclusion, research publication journals etc.

IV. Government Of India’s Initiatives On Financial Inclusion

From time to time, the Government of India has launched numerous measures to promote fiscal inclusion in India and has given several directions to the Reserve Bank of India.

I. Rangarajan Committee on Financial Inclusion (2006)

A 'Financial Inclusion Committee' was set up by the Government of India, under Dr. C. Rangarajan's presidency in June 2006, to discuss the issue of exclusion of rural poor people from access to financial services and framework recommendations to improve financial integration in the country. The Government has established two funds, the Financial Inclusion Fund (FIF), on the basis of suggestions made in Dr. Rangarajan's Interim Report and financial inclusion technology fund (FITF) to meet technology adaption costs for development and promotional initiatives.

II. Dr. Raghuram G. Rajan High Level Committee (2007)

In 2007, the Planning Commission formed a High Level Committee on Financial Sector Reforms, chaired by Dr. Raghuram G. Rajan. While the report's main focus was on identifying new problems in fulfilling the Indian economy's overall finance demands, some of its recommendations also stressed the need of and methods for attaining financial inclusion (FICCI, 2011).

V. Interest Subvention (2006-07)

The Indian Government offers a 2% interest subsidy to all public sector banks for short-term production loan up to ₹ 3 lakh given to farmers at a 7% annual interest rate. Subsidy levels were calculated from the date of disbursed to the actual date of repayment. Private sector banks are included under the 2013-14 programme under identical terms and circumstances.

VI. Adoption Of Electronic Benefit Transfer (2008-09)

The Government of India has announced many steps in this respect in the Union Budget 2008-09, adopting the proposal of the Rangarajan Committee for the State Governments to make payments under the provisions of NREGA and Social Security Payments through technological means. The Reserve Bank also invited the State Government to investigate the prospect of electronically routing/transferring government benefits via the banks to the beneficiary's account through the use and delivery of ICT-based solutions, therefore decreasing cash dependency and cutting transaction costs.

VII. Banking Services In Unbanked Villages With A Population of More Than 2000

Following this declaration in the 2010-11 budget Speech, banks have been urged to develop a road plan to provide banking service to every unbanked hamlet with more than 2000 inhabitants by March 2012. RBI encouraged banks not necessarily to expand such banking services to a brick and mortar branch but to provide these services also in any of the many types of ICT-based models. Around 73,000 of these unbanked communities were selected by the State Bankers' Committees and allocated to different banks.

VIII. Swabhiman (2011)

Swabhiman, one of the UPA II government's major programmes, was launched on February 10, 2011, with the goal of delivering branchless banking using technology. The Swabhimaan initiative attempts to offer financial services to rural regions with a high population. Under this arrangement, banks are required to use Business Correspondents to provide basic services such as deposits, withdrawals, and remittances (BCs). The programme allows government subsidies and social security payments to be immediately deposited into the accounts of recipients, who may then withdraw the funds through Business Correspondents in their village. However, this system does not cover every person in the country.

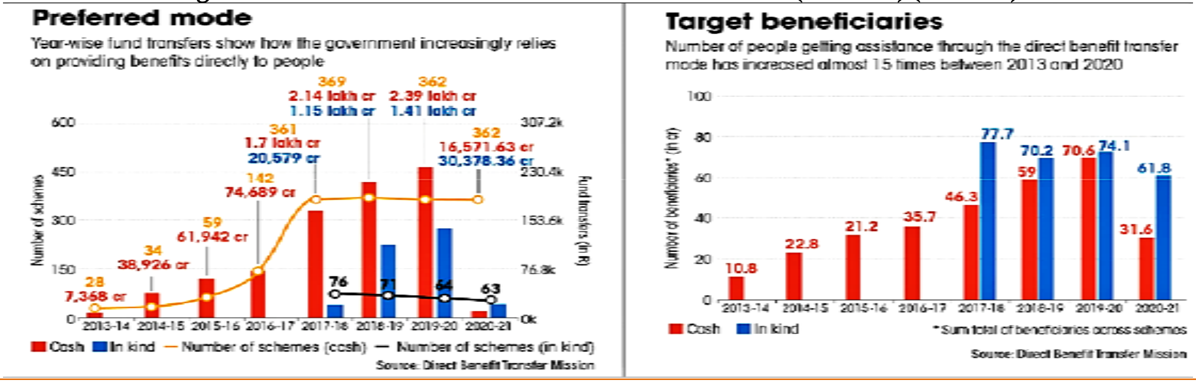
IX. Unique Identity Number / Aadhaar (2014)

As a unique identity number for each country's inhabitant in 2009, India's Government created the Indian Unique Identification Authority (UIDAI). The UID uses current technology connections to reach the unbanked population and, if it indicates its approval, promises bank accounts to citizens. The Aadhaar number has the ability to alter the delivery mechanism of social assistance schemes, giving proof of its residency and identity, by making them more inclusive and effective in reaching the intended beneficiaries who are now being made aware of their lack of identification. It may perhaps allow the government to go from indirect to direct benefit and help check if the recipients receive the benefits actually using the UIDAI biometric on-line authentication services (Khound, 2012). In addition, an exponential rate of about 4 million cards was issued at 210 million Aadhaar cards every week. By March 2018, it has registered more than 1.19 billion. It facilitates the Government's identification of recipients, the transfer of money on recipient's accounts, and addresses the last mile of money in the recipients' hands from the banks.

X. Direct Cash Transfer (DBT) (2013)

Since January 1, 2013, the Government has launched a new plan to transfer 29 health care programmes – mostly for old people and the disabled – managed by several government departments. The initiative has been a Direct Cash Transfer Scheme. In this way the benefits or allowances due are paid directly to the bank accounts of the final recipients, using the Aadhaar programme to identify all persons electronically. The system will be expanded in due time to include 42 benefits, covering the entire country. The cash transfer method will assist to focus subsidies more effectively and to reduce delays in providing benefits in addition to minimizing wastes and leaks.

Figure 1: DBT Transfers and Number of Beneficiaries (2013–19) (in crore)



Source: dbtbharat.gov.in

Currently, 420 schemes under 56 ministries are delivered through DBT -- 357 cash and 63 in-kind, In 2011, the Planning Commission made a blueprint for cash transfer as delivering schemes were getting more expensive. On January 1, 2013, India shifted its seven centrally-sponsored schemes into DBT mode in 43 districts. In 2014, it was carried out across the country. Till date, India has disbursed approximately ₹ 8.22 lakh crore in cash transfers. There is a 40 fold increase between the amount disbursed in 2013 and 2019-20. DBT has made delivery efficient and reduced pilferages and estimated savings amount to ₹ 1.70 lakh crore (Figure 1).

XI. Nachiket Mor Committee (2013)

Raghuram Rajan, after being appointed as the governor of the Reserve Bank of India, created the Nachiket Mor Committee on September 23, 2013 (RBI). Nachiket Mor was in charge (Manojit Saha, 2013). The panel's goal was to look at several elements of India's financial inclusion. On January 7, 2014, the panel issued its final report. To reach consumers and small companies that don't have access to banking services, the panel suggested the establishment of a new type of banks called payment banks. The criteria of these banks would be modest and the current banks within this category might create subsidiary companies. In order for other banking entities and financial institutions that generate assets in the priority sector to supply liquidity, the panel suggested that wholesales banks be created. This category would likewise have a minimal entrance criterion. In principle, the banks would offer loans and only take deposits in excess of 5 Crore. The Committee recommended the Universal Electronic Bank Account (UEBA) to be provided to every adult Indian by January 2016. It recommended furthermore that access to financial services by January 2016 be provided to all low-income and small enterprises. It also planned to open a UEBA to each person automatically in the amount of his/her Aadhaar number.

XII. Revival of Rural Co-Operative Credit Institutions (2012-13)

In consultation with the State Governments, the Government has adopted a package for the revival of a short-run rural cooperative credit structure to strengthen Rural Credit System based on the recommendations from the Tax Group to Rural Revival Co-operative Credit Institutions under the chairmanship of Shri A. Vaidyanathan. The recovery package has also been announced for a long-term rural co-operative loans framework.

XIII. Pradhan Mantri Jan Dhan Yojana (PMJDY) (2015)

The PMJDY increased financial inclusion for a number of populations, beyond permitting account ownership and the consumption of financial services, according to an assessment of multiple studies. While the programme has achieved substantial progress toward true financial inclusion, it is apparent that better policy communication, expanding and deepening advances in low-income states, and working out the bugs in the bank-agent model will be critical if these hard-won achievements are to be sustained. PMJDY is a financial integration programme offered to Indian citizens by the Indian government with the goal of improving cost-effective access to financial services such bank accounts, transfers, loans, insurance, and pensions. After earlier government initiatives failed, notably Swabhimaan, the scheme started (Business Standard, 2015). On August 28, 2014, 15 million bank accounts were established under this plan, started this financial inclusion campaign. Table 1 indicates that the recipients are also given a Rupay card with a ₹ 1 lakh accident insurance policy. As of 2019, the number of Jan Dhan Yojana beneficiaries has risen to 35.66 crore, with deposits in accounts sum of ₹ 9610735.1 lakhs, and 27.91 crore Rupay cards have been distributed to beneficiaries. This programme is highly important in rural India; according to statistics, the number of rural beneficiaries grew from 7.3 crores to 20.89 crores when compared to urban beneficiaries (table 1).

Table 1 PMJDY Beneficiaries Rural, Urban & Total

Banks	Year	Rural	Urban	Total	Deposits (In lac)	RupayDebit Cards
Public Sector Bank	2015	52261449	44209250	96470699	800920.3	89348979
	2019	151884115	128477431	280361546	7669682.8	228959558
	2023	2383415655	141572165			
Private Sector Banks	2015	3188813	1975091	5163904	64921.2	4517807
	2019	6858752	5548243	12406995	281977.9	11558715
Regional Rural banks	2015	18226849	3245567	21472416	155906.79	14702771
	2019	50253578	9640111	59893689	1659074.4	38590690
Grand Total	2015	73677111	49429908	123107019	1021748.3	108569557
	2019	**208996445**	**143665785**	**352662230**	**9610735.1**	**279108963**

Source: www.pmjdy.com

XIV. Pradhan Mantri Suraksha Bima and Pradhan Mantri Jeevan Jyoti Bima (2015)

The government-sponsored accident insurance schemas established in 2015 in India are Pradhan Mantri Bima Yojana, and Pradhan Mantri Jeevan Jyoti Bima Yojana. PMJJBY can be used for persons from 18 to 70 and PMSBY for those from 18 to 50 years of age. For both services, the bank account is obligatory. The yearly fee of ₹ 12 and ₹ 330 and the GST is free from taxes, and the money is deducted from the account automatically.

Table 2 Enrolments under PMJJBY and PMSBY (2019)

Schemes	Enrolments	Claim settlement ratio	% to eligible population
Pradhan Mantri Jeevan Jyoti Bima Yojana	15.47 crore	32,176 (95.13%)	6,4352 billion (5.05%)
Pradhan Mantri Suraksha Bima Yojana	5.92 crore	1,35,212 (94.62%)	2,704.24 billion (13.20%)

Source: GOI

This system has been supplied by banks and managed by general insurance firms in the public sector. The payout to the candidate shall be os 2 lakh if a death is attributable to any reason. The bank accounts created under the Pradhan Mantri Jan Dhan Yojana initiative are linked to these schemes. Initially, the majority of these accounts had no balance. Using these and comparable initiatives, the government hopes to minimise the number of zero balance accounts. According to Table 2, as of March 31, 2019, 15.47 crore individuals were registered in this plan. 32,176 claims aggregating $6.4352 billion have been paid out. As of March 31, 2019, 5.92 crore individuals had enrolled in the PMSBY scheme. A total of 2,704.24 crores has been disbursed on 1,35,212 claims. The government intends to use this and comparable initiatives to minimise the number of such zero balance accounts.

XV. Mudra Yojana (2015)

The National Sample Survey Office (NSSO) study of 2013 selected 5.77 crore small businesses as target clientele. Traditional banks finance only 4 per cent of these businesses. The bank will also guarantee that its clients do not get indebted and will lend responsibly. The government of India launched Mudra scheme on 8th April 2015. It will provide its services to small entrepreneurs outside the service area of regular banks, by using last mile agents. MUDRA Bank (Micro Units Development and Refinance Agency Bank) is an Indian public sector financial organisation. The bank would divide its customers into three groups, with the maximum loan amounts varying according to the category: Shishu loans up to 50,000, Kishor loans up to 5 lakh, and Tarun loans up to 10 lakh. The government has agreed to offer an extra money of one trillion dollars to the market, with 40 per cent going to Shishu, 35 per cent going to Kishor, and 25 per cent going to Tarun. Small manufacturing units, shopkeepers, fruit and vegetable vendors, and artisans are all eligible to borrow from MUDRA bank.

In terms of achieving his initial goal, namely "money unfunded," Mudra Yojana's path is extremely successful. Table 3 demonstrates that, in all 3 categories of loans, the number of accounts, 'Shishu' loan had a highest share of 88.61 per cent. Enhanced financial inclusion is another significant component of Mudra Yojana. Under PMMY the supply side was crucial for financial inclusion. The initiative began with 160 formal, non-formal institutions and at the conclusion of four years the number has been expanded to 193 and 200. 200 institutions, including 93 banks, were registered to date, of which 21 are government-based banks, 18 are private-economy banks, 36 are rural regional banks and 15 state-owned urban cooperative banks.

Table 3 Progress of Mudra Yojana during 2015-2019

Mudra Products	Financial Year	No. Pmmy Accs		Sanctioned Amt		Disbursed Amt	
		Crores	%	Crores	%	Crores	%
Shishu Loan	2015-16	31948590	93.0%	61928.73	46.7%	61088.47	47.2%
	2018-19	50713607	86.1%	140065.53	44.6%	137387.74	45.1%
Kishore Loan	2015-16	2013776	5.9%	41699.16	31.5%	39758.37	30.7%
	2018-19	6490455	11.0%	101999.9	32.5%	97542.07	32.0%
Tarun loan	2015-16	390895	1.1%	28923.71	21.8%	28462.07	22.0%
	2018-19	1712823	2.9%	72051.59	22.9%	69456.32	22.8%
Total	2015-16	34353261	100.%	132551.6	100.%	129308.91	100.%
	2018-19	58916885	100.%	314117.02	100.%	304386.09	100.%

Source: https://www.mudra.org.in

Table 4 indicates that growth is 30.8 per cent in public sector banks, whereas growth in private sector banks is 33.3per cent. Regional banks' increase amounted to 11.3per cent. In 2015-19, also, the performance of MFIs improved by 5.8per cent. The programme, which has incurred a penalty of over 5.71 lakh crore in the last three years, benefits from loan accounts overall 12.27 crore.

Table 4 Bank wise Performance

Name of banks/Institutions	Number of accounts		Disbursement amount	
	2015-16	**2018-19**	**2015-16**	**2018-19**
State bank of India	1300589	2737079	1300589	33612.5
Public sector banks	5306988	3927190	5306988	59754.41
Private sector banks	3067686	13277989	3067686	63264.07
Foreign Banks	447	569	447	30.61
State co-operative banks	na	257	na	1.6
Regional rurual banks	1410787	1508094	1410787	16687.08
Micro fiancé institutions	743980	1879391	743980	2357.41
Non-banking financial institutions	23052447	22963995	23052447	59115.7
Non-banking financial corporations	Na	5853690	Na	46865.09
State financial baks	Na	7722064	Na	29762.92
Total	**34880924**	**59870318**	**34880924**	**311811.4**

Source: https://www.mudra.org.in

It has also benefited around 3.50 crore new loan accounts/contractors and therefore created jobs across the country for many individuals. Credit and refinancing options are increasing with the financial inclusion of PMMY. So, if successfully executed, it may be a game-changing financial inclusion programme for the Indian government, potentially boosting the Indian economy.

XVI. Swavalamban Yojana (2013)

Swavalamban Yojana was a government-sponsored pension programme in India that was aimed at the unorganised sector. It applied to all people in the unorganised sector who enrolled in the National Pension Scheme (NPS), which was overseen by the Pension Fund Regulatory and Development Authority (PFRDA) Act 2013. The government of India donated $1,000 per year to each NPS account created in 2010-11 and for the next three years, 2011–12, 2012–13, and 2013–14, under the plan. Only those who joined the NPS with a minimum commitment of ₹ 1,000 and a maximum contribution of ₹ 12,000 per year were eligible for the benefit. The Finance Minister announced the strategy in the 2010-11 Budget. It was made feasible by financing granted by the Indian government.

XVII. Atal Pension Yojana (2015)

Atal Pension Yojana is a publicly supported pension programme, known as the Swavalamban Yojana, which was introduced in 2015. This programme allows all employees under 40 to receive a pension of between ₹ 1,000 and ₹ 5,000 per month at age 60. The government stated that it would co-contribute 50 per cent or ₹ 1,000 per annum for every qualified subscriber account, for a period of five years, to motivate individuals to participate in this programme and extend the reach of them to this system. This system is linked to the Pradhan Mantri Jan Dhan Yojana bank accounts created and contributions are automatically debited. This pension process is operated by the regulatory and development authorities of the Pension Fund (PFRDA).

Table 5 APY Enrolment Subscribers

Category of bank	2016	2017	2018	2019	2020
Public Sector Banks	1,693,190	3,047,273	6,553,397	10,719,758	1,57,03,802
Private banks	218,086	497,323	873,901	1,145,289	15,65,163
Small finance Banks	-	-	-	9,190	15,762
Payment Banks	-	-	-	48,182	3,51,436
Regional Rural Banks	476,373	1,115,257	1,987,176	3,171,152	43,37,437
District CO-OP Banks	21,222	29,791	33,880	38,863	48,616
State CO-OP Banks	354	680	850	1,053	4,627
Urban CO-OP Banks	327	3,507	10,936	14,469	17,366
Department of Posts	75,343	189,998	254,366	270,329	3,02,998
Total	**2,484,895**	**4,883,829**	**9,705,461**	**15,418,285**	**2,23,47,207**

Source: GOI

Table 5 indicates that, between 2016 and 2020, APY subscribers have risen from 2.484,895 to 22.347.207. All banks participated actively but mainly regional rural banks, which after public sector banks perform considerably. The leading donors of APY enrolments include countries such as Uttar Pradesh, Bihar, Andhra Pradesh, Maharashtra and Karnataka.

XVIII. Sukanya Samriddhi Account (2015)

Sukanya Samriddhi Account is a savings plan for parents of female children that was established on January 22, 2015. The programme encourages parents to save up money for their female child's future schooling and marriage expenditures. The account can be opened at any India Post office or authorised commercial bank branch. The account can be created by the parent/guardian at any time between the birth of a female child and the age of ten. The account is transferable to any location in India. A deposit of ₹ 250 is required, with a maximum of ₹ 150,000 permitted. The girl can manage her account once she reaches the age of ten, and she will attain adulthood after 21 years from the date she opened it. Within two months of its introduction, 180,000 accounts had been created under the initiative by mid-March 2015. Karnataka, Tamil Nadu, and Andhra Pradesh had the most new accounts. The total number of accounts established under the Sukanya Samriddhi Yojana in the country up to October 2015 was 76, 19,668. The result is that 28.38 billion was placed in the names of 76, 19,668 girl children.

XIX. JAM Trinity (2015-16)

JAM (Jan Dhan-Aadhaar-Mobile) refers to an initiative by the Government of India to link Jan Dhan accounts, mobile phones and Indian Aadhar cards with government subsidy leaks. The Government of India's main goal is to implement large-scale direct benefit transfers (DBT). The JAM paradigm, which includes Jan Dhan Yojana integration, Aadhar integration, and mobile technology, assists the government in the large-scale implementation of DBT. The prevalence of Indian mobile phones is anticipated to increase to around 85-90per cent in 2020 (Omidyar Network) making the mobile phone an appropriate tool for this aim. A centre has determined the LPG subsidy recipients by stating that their bank accounts and gas connections to their Aadhaar have been mapped by customers. By August 2017 over sixty five thousand crores were added to the economy by integrating Jan Dhan Yojana and helping to improve the value of the country's gold assets in terms of financial savings. Estimates of the amount of subsidies to cooking gas alone were reduced by Rs 17,000 crores as at April 2016. Exchequer savings through Direct Benefits Transfers are anticipated in 2018-19 to exceed Rs 40,000 crore, with cumulative savings of ₹ 1.25 lakh crore since 2013. The plan has introduced the notion of financial savings to the rural people, which has resulted in a decrease in gold imports into the nation, resulting in a reduction in the current account deficit and an increase in GDP growth.

3.4 Conclusion

The achievement of sustained financial inclusion requires a systematic effort that makes seamless use of technology, regulatory framework and suitable business strategies. The Reserve Bank of India highlighted that bankability for those living in poverty offers banks a huge chance to establish a stable, retail base, with the aid of a diversified asset portfolio to mitigate income volatility. To achieve inclusion while safeguarding financial stability and consumer interest, wise rules have to be in place. The rising incidence of IT and wireless communication offers an unprecedented potential for the provision and affordability of mainstream financial services to the poor through ICT leverage. Adequate, cheap and business-model technology may make financial inclusion for the formal financial industry commercially feasible and turn it from a duty to an opportunity.

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