



## FINANCIAL INCLUSION: SCHEMES LAUNCHED AFTER MAY'2014

Seema

Assistant Professor, Department of Commerce, Indira Gandhi University,  
Meerpur, Rewari (HR)

### **ABSTRACT**

*Even after 60 years of independence, a large section of Indian population is still unbanked. This situation has led generation of financial instability and pauperism among the lower income group who do not have access to financial products and services. With the change of union government in May'2014, government of India has launched multiple schemes to ensure the active participation of financially weak section of the society. This research paper highlights the initiatives launched by govt. to achieve financial inclusion.*

**Key words:** BSBD, PMSBY, PMJBY and APY

**Introduction:** The Government of India and the Reserve Bank of India have been making concerted efforts to promote financial inclusion as one of the important national objectives of the country. Some of the major efforts made in the last five decades include - nationalization of banks, building up of robust branch network of scheduled commercial banks, co-operatives and regional rural banks, introduction of mandated priority sector lending targets, lead bank scheme, formation of self-help groups, permitting BCs/BFs to be appointed by banks to provide door step delivery of banking services, zero balance BSBD (Basic Savings Bank Deposit) accounts, etc. The fundamental objective of all these initiatives is to reach the large sections of the hitherto financially excluded Indian population.

**Definition:** *Financial inclusion may be defined 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. [The Committee on Financial Inclusion, Chairman: Dr. C. Rangarajan].*

*Financial Inclusion, broadly defined, refers to universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products [The Committee on Financial Sector Reforms, Chairman: Dr. Raghuram G. Rajan]*

**Objective:** This research paper is an attempt to compile the efforts and initiatives taken by government to strengthen the concept of financial inclusion.

**Review of literature:** The term 'financial inclusion' was used for the first time in April 2005 in the Annual Policy Statement presented by Y.Venugopal Reddy, Governor, Reserve Bank of India. Financial inclusion again featured later in 2005 when it was used by K.C. Chakraborty, the chairman of Indian Bank. Mangalam became the first village in India where all households were provided banking facilities. In January 2006, the Reserve Bank permitted commercial banks to make use of the services of non-governmental organizations (NGOs/SHGs), micro-finance institutions, and other civil society organizations as intermediaries for providing financial and

banking services. These intermediaries could be used as business facilitators or business correspondents by commercial banks. The bank asked the commercial banks in different regions to start a 100% financial inclusion campaign on a pilot basis. As a result of the campaign, states or union territories like Puducherry, Himachal Pradesh and Kerala announced 100% financial inclusion in all their districts. However, illiteracy and the low income savings and lack of bank branches in rural areas continue to be a roadblock to financial inclusion in many states and there is inadequate legal and financial structure. Government of India last year announced “Pradhan Mantri Jan Dhan Yojna, and three other schemes named PMSBY, PMJBY and APY.

**Benefits of Study:** This paper helps in understanding the Financial Inclusion schemes launched by union government after May’2014.

**Material and Methods:** This research paper is based on secondary data collected from various magazines, websites, journals etc.

**Schemes for Financial Inclusion:**

GOI launched 5 mega schemes to encourage poor people to actively participate in financial activities and get benefit. With affordable amount of premium, these schemes are providing social security benefit to economically weaker section of the society. (Fig 1)

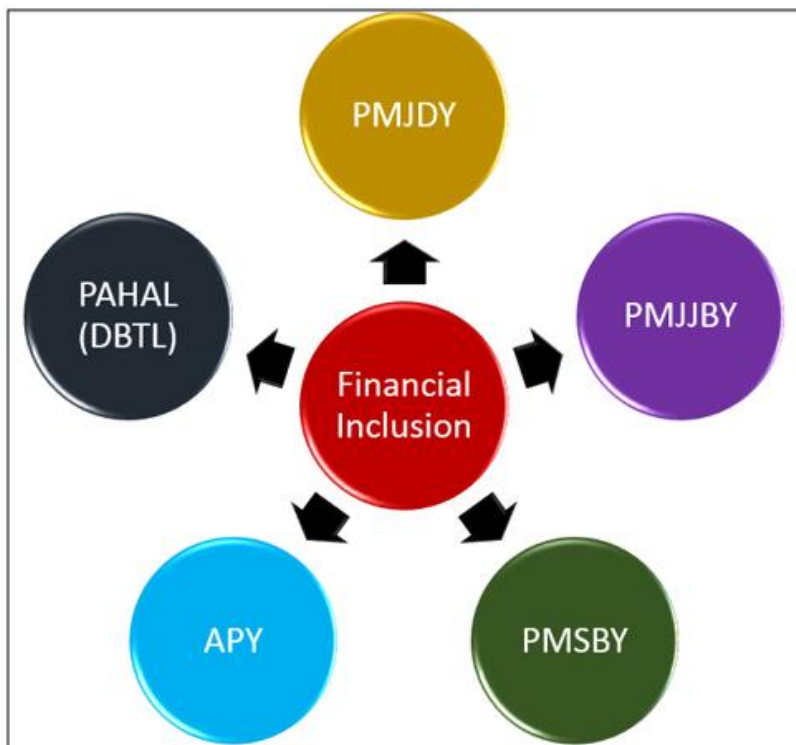


Fig 1

- **PMJDY: Pradhan Mantri Jan-Dhan Yojana (PMJDY):** Pradhan Mantri Jan-Dhan Yojana (PMJDY) is National Mission for Financial Inclusion to ensure access to financial services, namely, Banking/ Savings & Deposit Accounts, Remittance, Credit, Insurance, Pension in an affordable manner. Account can be opened in any bank branch

or Business Correspondent (Bank Mitra) outlet. PMJDY accounts are being opened with Zero balance. However, if the account-holder wishes to get cheque book, he/she will have to fulfill minimum balance criteria (Fig 2)



Fig 2

**a. Documents required to open an account under Pradhan Mantri Jan-Dhan Yojana:**

If Aadhaar Card/Aadhaar Number is available then no other documents is required. If address has changed, then a self-certification of current address is sufficient.

If Aadhaar Card is not available, then any one of the following Officially Valid Documents (OVD) is required: Voter ID Card, Driving License, PAN Card, Passport & NREGA Card. If these documents also contain your address, it can serve both as Proof of Identity and Address.

If a person does not have any of the officially valid documents mentioned above, but it is categorized as low risk' by the banks, then he/she can open a bank account by submitting any one of the following documents: Identity Card with applicant's photograph issued by Central/State Government Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks and Public Financial Institutions; Letter issued by a gazette officer, with a duly attested photograph of the person.

**b. Special Benefits under PMJDY Scheme**

- Interest on deposit.
- Accidental insurance cover of Rs.1.00 lac
- No minimum balance required.
- Life insurance cover of Rs.30,000/-
- Easy Transfer of money across India
- Beneficiaries of Government Schemes will get Direct Benefit Transfer in these accounts.
- After satisfactory operation of the account for 6 months, an overdraft facility will be permitted
- Access to Pension, insurance products.

- Accidental Insurance Cover, RuPay Debit Card must be used at least once in 45 days.
- Overdraft facility up to Rs.5000/- is available in only one account per household, preferably lady of the household.

- **PMJJBY: Pradhan Mantri Jeevan Jyoti Bima Yojana:** Hon'ble Prime Minister launched PMJJBY scheme nationally in Kolkata on 9th May, 2015. The Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) is a one year life insurance scheme, renewable from year to year, offering coverage for death due to any reason and is available to people in the age group of 18 to 50 years (life cover up to age of 55) having a savings bank account who give their consent to join and enable auto-debit. The risk cover on the lives of the enrolled persons has commenced from 1st June 2015.

Under PMJJBY scheme, life cover of Rs. 2 lakhs is available for a one year period stretching from 1st June to 31st May at a premium of Rs.330/- per annum per member



and is renewable every year. It is offered / administered through LIC and other Indian private Life Insurance companies. For enrolment banks have tied up with insurance companies. Participating Bank is the Master policy holder. The assurance on the life of the member shall terminate on any of the following events and no benefit will become payable there under:

- On attaining age 55 years (age near birth day) subject to annual renewal up to that date (entry, however, will not be possible beyond the age of 50 years).
- Closure of account with the Bank or insufficiency of balance to keep the insurance in force.
- A person can join PMJJBY with one Insurance company with one bank account only.

Individuals who exit the scheme at any point may re-join the scheme in future years by paying the annual premium and submitting a self-declaration of good health.

Initial enrolment period in the scheme was from 1st May to 31st Aug '2015, by this date eligible persons could join the scheme without giving self-certification of good health. In case of claim the nominees/heirs of the insured person have to contact respective bank branch where the insured person was having bank account. A death certificate and simple claim form is required to submit and the claim amount will be transferred to nominees account.

### **PMSBY: Pradhan Mantri Suraksha Bima Yojana**

PMSBY is aimed at covering the uncovered population at an highly affordable premium of just Rs.12 per year. The Scheme will be available to people in the age group 18 to 70 years with a savings bank account who give their consent to join and enable auto-debit on or before 31st May for the coverage period 1st June to 31st May on an annual renewal basis.

Under the said scheme, risk coverage available will be Rs. 2 lakh for accidental death and permanent total disability and Rs. 1 lakh for permanent partial disability, for a one year period stretching from 1st June to 31st May. It is offered by

Public  
Sector  
General  
Insurance

The logo for Pradhan Mantri Suraksha Bima Yojana (PMSBY) is a blue rounded rectangle with the text "Pradhan Mantri Suraksha Bima Yojana" in white, bold, sans-serif font.

Companies or any other General Insurance Company who are willing to offer the product on similar terms with necessary approvals and tie up with banks for this purpose. Participating Bank will be the Master policy holder on behalf of the participating subscribers. It will be the responsibility of the participating bank to recover the appropriate annual premium in one instalment, as per the option, from the account holders on or before the due date through 'auto-debit' process and transfer the amount due to the insurance company.

Individuals who exit the scheme at any point may re-join the scheme in future years by paying

the annual premium, subject to conditions. Further, in order to assure a hassle free claim settlement experience for the claimants a simple and subscriber friendly administration & claim settlement process has been put in place.

To ensure that the benefits of this scheme is brought to every uninsured individual, who holds a bank account, wide publicity was given for this social security measure through electronic media, radio, posters, newspapers advertisements etc. Enrollment forms were widely distributed. Highly publicised Enrollment camps were conducted by Banks, and Insurance Companies, mobilizing the entire network of SLBC Co ordinators, state and district level nodal officers, agents and banking correspondents, thereby fully utilizing the reach of these channels, for attracting large scale enrolment in the scheme.

The enrollment is open till 31st August and the drive is continuing. Till 18 th June 2015 the number of enrolled under PMSBY stands at 7.68 Crore. The scheme is expected to serve the goal of financial inclusion by achieving penetration of insurance down to the weaker sections of the society, ensuring their or their family's financial security, which otherwise gets pulled to the ground in case of any unexpected and unfortunate accident.

### **Atal Pension Yojana (APY)**

Atal Pension Yojana (APY) is open to all bank account holders. The Central Government would also co-contribute 50% of the total contribution or Rs. 1000 per annum, whichever is lower, to each eligible subscriber, for a period of 5 years, i.e., from Financial Year 2015- 16 to 2019-20, who join the APY before 31st December, 2015, and who are not members of any statutory social security scheme and who are not income tax payers. Therefore, APY will be focused on all citizens in the unorganized sector.



Under APY, the monthly pension would be available to the subscriber, and after him to his spouse and after their death, the pension corpus, as accumulated at age 60 of the subscriber,

would be returned to the nominee of the subscriber.

Under the APY, the subscribers would receive the fixed minimum pension of Rs. 1000 per month, Rs. 2000 per month, Rs. 3000 per month, Rs. 4000 per month, Rs. 5000 per month, at the age of 60 years, depending on their contributions, which itself would be based on the age of joining the APY. Therefore, the benefit of minimum pension would be guaranteed by the Government. However, if higher investment returns are received on the contributions of subscribers of APY, higher pension would be paid to the subscribers.

A subscriber joining the scheme of Rs. 1,000 monthly pension at the age of 18 years would be required to contribute Rs. 42 per month. However, if he joins at age 40, he has to contribute Rs. 291 per month. Similarly, a subscriber joining the scheme of Rs. 5,000 monthly pension at the age of 18 years would be required to contribute Rs. 210 per month. However, if he joins at age 40, he has to contribute Rs. 1,454 per month. Therefore, it is better to join early in the Scheme. The contribution levels, the age of entry and the pension amounts are available in a table given in frequently asked questions (FAQs) on APY, which is available on [www.jansuraksha.gov.in](http://www.jansuraksha.gov.in).

The minimum age of joining APY is 18 years and maximum age is 40 years. Therefore, minimum period of contribution by any subscriber under APY would be 20 years or more.

### **PAHAL-Direct Benefits Transfer for LPG (DBTL)**

The PAHAL (DBTL) scheme was earlier launched on 1st June 2013 and finally covered 291 districts. It required the consumer to mandatorily have an Aadhaar number for availing LPG Subsidy. The government has comprehensively reviewed the scheme and after examining the difficulties faced by the consumer substantively modified the scheme prior to



launch. The modified scheme has been re-launched in 54 districts on 15.11.2014 in the 1st Phase and to be launched in rest of the country on 1.1.2015. The modified scheme is given as under:

### **Options to receive LPG subsidy**

Under the modified scheme, the LPG consumer can now receive subsidy in his bank account by two methods. Such a consumer will be called CTC (Cash Transfer Compliant) once he joins the scheme and is ready to receive subsidy in the bank account. The two options are:

- Option I (Primary): Wherever Aadhaar number is available it will remain the medium of cash transfer. Thus, an LPG consumer who has an Aadhaar Number has to link it to the bank account number and to the LPG consumer number.
- Option II (Secondary): If LPG consumer does not have an Aadhaar number, then he can directly receive subsidy in his bank account without the use of Aadhaar number. This option which has now been introduced in the modified scheme ensures that LPG subsidy is not denied to an LPG consumer on account of lack of Aadhaar number. In this option, Either consumer can Present bank account information (bank account holder name /account number /IFSC code) to the LPG distributor for capture in LPG database OR Present LPG consumer information (17 digit LPG consumer ID) to his bank

### **Conclusion:**

Government of India launched these 5 mega schemes to ensure the active participation of financially weaker section of the society, specially in rural and remote areas where people are not very well aware of banking and financial services provided by government. After launch of these schemes, efforts were also made to create awareness about these financial inclusion schemes and people were encouraged to get benefit from these 5 social welfare schemes. As a result of all these efforts, overwhelming response is received in last one year and economically weaker section of the society actively participated. Here are some statistics.

1. Bank wise PMJDY Report (Fig 3)

Pradhan Mantri Jan - Dhan Yojana							
(Accounts Opened as on 30.09.2015)							
<i>(All Figures in Crores)</i>							
S.No	Type of Bank	No Of Accounts			No Of Rupay Debit Cards	Balance In Accounts (In Rupees Crores)	% of Zero Balance Accounts
		Rural	Urban	Total			
1	Public Sector Bank	7.99	6.52	14.5	13.03	19562.95	40.07
2	Regional Rural Bank	2.84	0.48	3.32	2.4	4268.75	41.27
3	Private Banks	0.43	0.29	0.71	0.63	1107.52	42.25
	<b>Total</b>	<b>11.3</b>	<b>7.28</b>	<b>18.5</b>	<b>16.06</b>	<b>24939.23</b>	<b>40.35</b>

Fig 3

2. Funds collected as premium from PMJJBY/PMSBY/APY (Fig 4)

Summary of APY/PMJJBY/PMSBY as on 05-10-2015					
Gross Enrolment Reported by Banks, subject to verification of Eligibility of Applicants as per Rules, and Availability of Funds for Auto Debit of Premium etc.					
Scheme Name	Rural_Male	Rural_Female	Urban_Male	Urban_Female	Grand Total
APY	161,706	101,058	308,170	217,614	788,548
PMJJBY	8,889,870	5,451,700	8,901,841	5,014,948	28,258,359
PMSBY	27,468,035	17,892,803	26,790,885	15,641,847	87,793,570
<b>Grand Total</b>	<b>36,519,611</b>	<b>23,445,561</b>	<b>36,000,896</b>	<b>20,874,409</b>	<b>116,840,477</b>

Fig 4

3. Details of premium collected by top banks from PMJJBY/PMSBY/APY Sept-Oct'2015 (Fig 5)

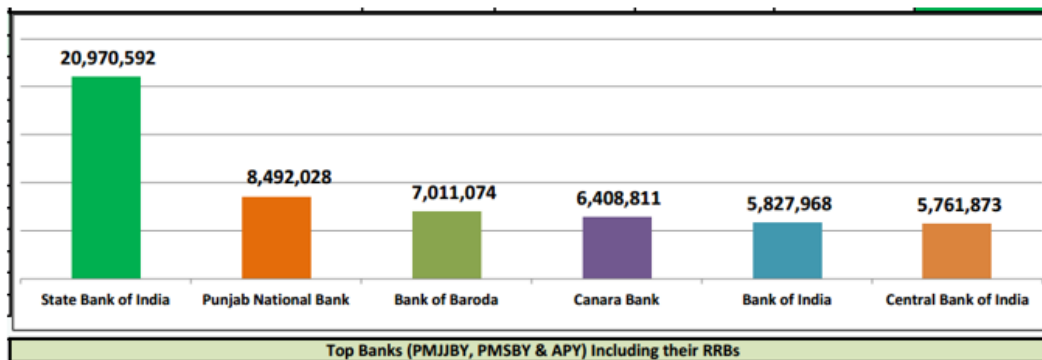


Fig 5

4. Daily premium collection trends from PMJJBY/PMSBY/APY in Sept-Oct'2015 (Fig 6)

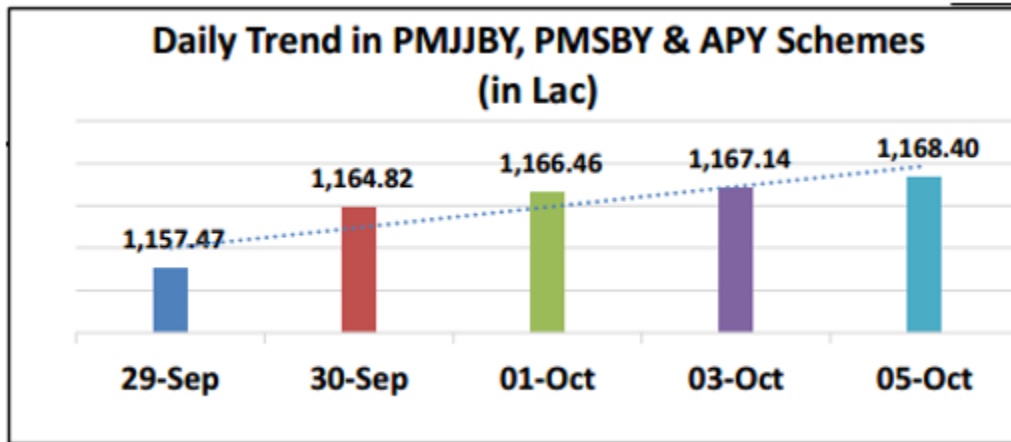


Fig 6

5. Gender wise from PMJJBY/PMSBY/APY (Fig 7)

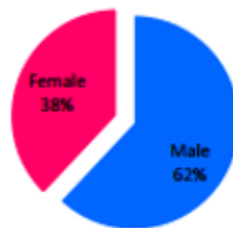


Fig 7

6. Area wise contribution from PMJJBY/PMSBY/APY (Fig 8)

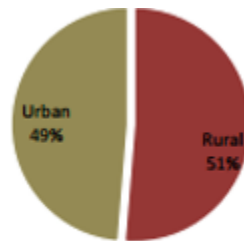


Fig 8

**References:**

1. Official website of PMJDY (<http://www.pmjdy.gov.in/>)
2. Official website for Jan Suraksha Yojana (<http://www.jansuraksha.gov.in/Default.aspx>)
3. Official website of PAHAL DBTL (<http://petroleum.nic.in/dbt/whatisdbtl.html>)
4. Business standard's editorial and reports ([http://www.business-standard.com/article/pti-stories/life-insurance-body-apprehends-pmjjby-viability-115070500368\\_1.html](http://www.business-standard.com/article/pti-stories/life-insurance-body-apprehends-pmjjby-viability-115070500368_1.html))
5. NDTV business review and editorial report (<http://profit.ndtv.com/topic/pmjdy>)