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An Assessment of Recent Initiatives for Financial Inclusion with Reference to Social Security Motto Jan Dhan to Jan Suraksha in India

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Abstract

This research paper aims at assessing the recent initiatives by the Government of India with reference to the financial inclusion of common people in India. Financial freedom is one of the agents of economic growth of a country. Looking at the enormous amount of opportunities towards economic development in India, financial inclusion of people becomes necessary. Financial inclusion has been a matter of wide discussion amongst the policymakers and the Governments. India has been struggling with the poverty, especially in rural areas, having majority of these poor in villages. The Government has been implementing different schemes and programmes to empower rural and unprivileged population. Various schemes have been implemented for the purpose of strengthening financial services and financial inclusion. The National Mission for Financial Inclusion(NMFI) was initiated by the Government of India which is also known as Pradhan Mantry Jan-Dhan Yojana (PMDJY) aiming "Jan-Dhan to Jan Surahsha" This paper aims to examine of "Jan Dhan to Jan Suraksha" programmes and to identify problems of the programmes.

Keywords: Financial Inclusion, social security, financial services

INTRODUCTION

Inclusive growth was the motto of the 11th Fiver Plan aiming to include poorer, vulnerable and underprivileged population in India. Since the independence, India has been struggling with the poverty. The financial exclusion is one of the cause and result as well for the poverty. It is a barrier to the continued development of the economy. Many of the rural population remained financially untouchable which has created limited excess to the financial benefits. In this situation, it becomes very necessary to focus on extending financial benefits to the poorer and weaker strata of the country. The Indian government has recently integrated banking services with social security programs. First, let's look at the idea of financial inclusion in relation to social security.

Financial Inclusion

The "process of enabling the access of financial services to everyone including economically weaker, underprivileged, poor and vulnerable sections of society" is the general definition of financial inclusion. Some academics have also referred to it as an institutional procedure that guarantees everyone who is financially disadvantaged access to appropriate financial services at a reasonable cost. Financial inclusion aims to improve the standard of living for society's disadvantaged populations by providing affordable banking services. Historically, these communities have been excluded from and denied access to financial services.[1]

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According to the World Bank, World bank (2020) [9] people and businesses are considered financially included when they have access to affordable, useful financial services and products that meet their needs (transactions, payments, savings, credit, and insurance) and are offered in an ethical and sustainable wa. Chattopadhyay, S. K. (2011) [2] Rangrajan Committee, "financial inclusion may be defined as the process of ensuring vulnerable groups, such as weaker sections and low income groups, have affordable access to financial services and timely and adequate credit when needed." (Report of the Committee on the Financial Inclusion, 2008) [6]. In his working paper, Chattopadhyay elaborated financial inclusion as a comprehensive process to involve all the sections of the society who were not under the financial system umbrella.

Social Security

Social security is widespread phenomena in the modern day time. We all are human being and we face particular contingences in our life. Because of the uncertainty, the population's lower and weaker economic strata suffer the most. In his opinion, *Sir William Beveridge* implies social security is the assurance of a source of income to replace earnings in the event that they (workers) are unemployed, ill, or injured; to save for retirement as they age; to guard against losing support in the event of another person's death; and to cover extraordinary expenses, such as those associated with marriage, birth, and death. Chattopadhyay, S. K. (2011) [3] have defined social security as the utilisation of social means to prevent the deprivation and vulnerability to deprivation. Social security can be used for the financial inclusion. All the sections of the society should access financial services with the insurance and other benefits. Social security can be attained only with the financial inclusion as per the explanation by Rathor (2020) [7]. Jan Dhan to Jan Suraksha is one the key step taken by the Government of India to incorporate financial inclusion with social security.

From the above definitions it is clear that financial inclusion is one of the key area for the economic development of the nation. This papers aims to examine the effectiveness of the recent initiatives of Indian government for the financial inclusion through *Jan Dhan to Jan Suraksha*. The PMJDY, an incredible initiative by the Indian government in partnership with the Reserve Bank of India (RBI), and other government programmes like the Stand-up India Scheme, Atal Pension Yojana (APY), Pradhan Mantry Jeevan Jyoti Bima Yojana (PMJJBY), and Pradhan Mantry Mudra Yojana (PMMY) are the main topics of the paper.

Review of Literature

A lot of academic and research have been done so far in the area of financial inclusion and social security.

Atkinson (2011) [1] interviewed total 5328 respondents across United Kingdom and concluded that the financial participation refers to the utilisation of financial products and services, whereas financial capability refers to an individual's incapacity to participate in the mainstream financial sector.

The RBI (2021) [8] stated that the creation of an inclusive financial system is a policy thrust and priority because it views universal access to finance as a crucial component of economic growth in its article published in the RBI Bulletin.

Rathor, (2020) [7] in her research paper identified that the financial inclusion involves finance related awareness by all, access to financial services to all irrespective of the status and ease of doing financial transaction. The same is evident in a number of areas, including the nationalisation of banks, the idea of door-to-door banking, zero balance accounts, insurance plans offered by banks, benefit transfers via banks, and old age pension plans through banks. This is contemporary to the present situation in India.

Khare & et. al (2021) [4] have explained the importance of use of technology in financial services. The Covid-19 pendemic forced the people to use digital means of financial transactions.

Developments in technology in financial services have made easy access for the common people.

Natu & et. al (2008) [5] concluded that the initiatives taken by financial inclusion drive promoted by the RBI is noteworthy ant there is yet to do a lot of amount of efforts in this area. This suggests that there won't be a need for bank accounts unless those who were previously unbanked had a steady source of income. It also demands that the current policy be reviewed.

Objectives of the Paper

The main objectives of the paper are as follows:

- To understand the scenario of financial inclusion in India with reference to social security.
- To analyze recent trends in particular social security schemes for financial inclusion.
- To identify issues and problems of financial inclusion.
- To suggest remedies to improve financial inclusion.

Financial Inclusion and Jan Dhan to Jan Suraksha

The Government of India launched different schemes for the financial inclusion. The main objective is to reach to every citizen of the nation and to make them financially strong. In 2014, the Government of India launched PMJDY to include a huge strata of the population, especially who are economically weaker and deprived from financial services. The government has also implemented social security programs in the insurance and pension sectors in an effort to create a national social security system for all Indians, especially the poor and disadvantaged.

Pradhan Mantry Jan Dhan Yojana (PMJDY)

The launch of the Pradhan Mantry Jan Dhan Yojana on August 15, 2014, was one of the largest steps towards financial inclusion in India. Pradhan Mantri Jan Dhan Yojana (PMJDY) [10] It sought to provide universal access to banking services and achieve full financial inclusion for all Indians. Through the scheme, those without bank accounts can open savings accounts. Accounts with PMJDY do not require a minimum balance to be kept. A Rupay Debit card is provided to PMJDY account members. It also provides accident insurance. There is a ₹ 1 lakh cover (which is increased to ₹ 2 lakh for new PMJDY accounts registered after 28.8.2018). For qualified account holders, an overdraft (OD) option of up to ₹ 10,000 is available. Direct Benefit Transfer (DBT) is available for PMJDY accounts. The scheme was a considerable success, as seen in the following (Figure 1).

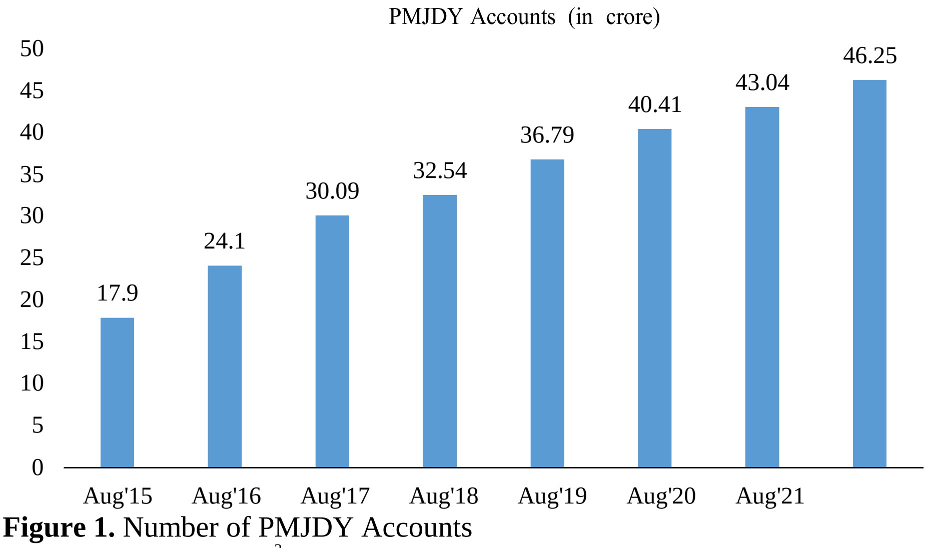

Figure 1. Number of PMJDY Accounts
Source: Ministry of Finance[3]

There were 46.25 crore PMJDY accounts in total as of August 10, 2022. Of them, women possessed 55.59% (25.71 crore) of Jan-Dhan accounts, and 66.79% (30.89 crore) of those accounts are located in rural and semi-urban regions. In the program's first year, 17.90 crore PMJDY accounts were opened. Number of accounts under PMJDY keeps rising. From 17.9 crore in August 2015 to 46.25 crore in August 2022, accounts have increased thrice. Without a doubt, the Financial Inclusion Programme has had an incredible journey.

Pradhan Mantry Jeevan Jyoti Bima Yojana (PMJJBY)

Launched in 2015, the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) is a one-year life insurance policy that offers death cover and is renewable annually. To administer the programme, commercial banks, cooperative banks, and regional rural banks collaborate with public and private insurance providers. Given that a sizable section of the populace has not yet had access to insurance coverage, the government has placed a high value on the insurance industry. This social security system strives to uphold the objective of "Sabke Saath Sab ka Vikas" by promoting inclusive growth and incorporating the impoverished and underprivileged segments of society. 3.10 crore persons were enrolled in this system overall in 2016, and by 2021 and 2022, that number had risen to 10.27 crore and 13.11 crore, respectively.

Pradhan Mantry Surakha Bima Yojana (PMSBY)

This accident insurance plan provides coverage for unintentional death and disability resulting from an accident. The cover would be renewed annually for a period of one year. The program is open to everyone with an Aadhar-linked bank account who is between the ages of 18 and 70. Under this plan, the risk coverage is ₹ 1 lakh for partially disable and ₹ 2 lakh for accidental death and total disability. It offers security against life's unforeseen events. As of June 30, 2022, this scheme had over 29.01 crore overall participation.

Atal Pension Yojana (APY)

The Atal Pension Yojana (APY) was launched on May 9, 2015, with the goal of providing a universal social security system for all Indians, with a focus on the poor, the disadvantaged, and those working in the unorganised sector. The Atal Pension Yojana is managed by the Pension Fund Regulatory and Development Authority (PFRDA). Anyone with a bank account between the ages of 18 and 40 can participate in APY; contributions vary based on the size of the pension. With effect from January 10, 2022, no citizen who is currently or has ever paid income taxes will be eligible to join APY. A guaranteed minimum pension of ₹1000, ₹2000, ₹3000, ₹4000, or ₹5000 would be given to subscribers at the age of sixty. In the event of his demise, the pension corpus—which represented his accumulated savings up to age 60—would be given to the subscriber's nominee. The subscriber would remain entitled for the monthly pension.

Prdhan Mantry Mudra Yojana (PMMY)

The programme began operations on April 8, 2015. The scheme offers a loan up to ₹50,000 under the sub-scheme "Shishu," between ₹50,000 and ₹5.0 Lakhs under the sub-scheme "Kishore," and between ₹5.0 Lakhs and ₹10.0 Lakhs under the sub-scheme "Tarun." Loans can be obtained without the need for collateral. These measures are aimed at increasing the confidence of young, educated or skilled workers who would now be able to aspire to become first generation entrepreneurs; existing small businesses, too, will be able to expand their activities. As 20th on August, 2021, ₹16,22,203 crores have been sanctioned in 30.7 crores accounts.

Stand-up India Scheme

On April 5, 2016, the Indian government introduced the Stand-Up India initiative. The programme makes bank loans for the establishment of greenfield businesses, up to ₹1 crore, available to at least one borrower from a Scheduled Caste (SC) or Scheduled Tribe (ST) and one borrower who is a woman per bank branch. This business may engage in commerce, manufacturing, or service industries related to agriculture. With the help of all Scheduled Commercial Banks, the programme is being executed with the goal of helping at least 2.5 lakh borrowers. The programme is in place, and

Scheduled Commercial Banks all throughout the nation are providing the loan.

The Stand-Up India initiative supports women and members of the SC and ST categories, who face particular challenges in their pursuit of entrepreneurship because they lack access to mentorship and guidance, as well as insufficient and delayed credit. The programme aims to launch greenfield businesses by reaching out to these underrepresented segments of the population by using the institutional lending framework. Both trainee and ready borrowers are served by it.

CONCLUSION

Economic development is a multifaceted process, and financial inclusion is unavoidable. Financial inclusion is necessary to achieve social security. India's efforts to increase the scope of financial inclusion include the PMJDY and other social security programmes. There's always space for development, though, and financial literacy is one area that needs work. A deficiency of financial literacy is the barrier. The less fortunate and impoverished people have not yet benefited from digitalization.

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