



THE ROLE OF POLICIES AND PROGRAMS FOR FINANCIAL INCLUSION IN INDIA

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Abstract

Financial inclusion is the idea that everyone, regardless of their income, social status, or geographical location, should have access to the financial services and products that they need to improve their financial well-being. This includes access to things like bank accounts, credit, insurance, and other financial products that can help individuals manage their money, save for the future, and invest in opportunities. Financial inclusion is an important goal because it can help individuals and communities to build resilience, reduce poverty, and promote economic development. It is a complex issue that requires the participation of governments, financial institutions, and other stakeholders to create inclusive financial systems that meet the needs of all people. Financial inclusion is an important concept because it enables individuals and communities to access the financial tools and services that they need to improve their financial well-being and achieve their goals. This can include access to things like savings accounts, credit, and insurance, which can help people to manage their money, save for the future, and invest in opportunities. Financial inclusion is also important because it can help to reduce poverty and promote economic development by enabling people to access the financial resources they need to start businesses, invest in education and training, and build wealth. With this backdrop an earnest attempt is made to investigate the role of several policies and programmes initiated by the government in order to achieve financial inclusion in India.

Financial inclusion

Financial inclusion refers to the ability of individuals and businesses to access financial products and services that meet their needs, such as credit, savings, and insurance. It is an important goal because it can help to reduce poverty, increase economic growth, and promote stability and development in a society. There are a number of factors that can contribute to financial inclusion, such as the availability of financial services, the cost of accessing these services, and the level of financial literacy in a given community. Governments and organizations around the world have taken steps to promote financial inclusion, such as by establishing policies and programs to make financial services more accessible and affordable to underserved populations.

Role Policies and programs

In India, the government has taken a number of steps to promote financial inclusion, including:

PM Jan Dhan Yojana:

This is a national financial inclusion initiative that aims to provide a bank account to every household in the country. The program also provides insurance and credit facilities to account holders. Pradhana Mantri Jan Dhan Yojana is a National Mission on Financial Addition having an intertwined approach to produce full fiscal addition of all the families in the country. The plan contemplates universal access to banking installations with minimal one introductory banking account for each family. It provides fiscal knowledge, be suitable to get credit, insurance and pension facilities. The heirs would admit RuPay Debit card which provides inbuilt accident insurance cover of ₹ 1 lakh. The plan also observes directing all Government benefits (from Centre/ State/ Original Body) to the heirs' accounts and pushing the Direct Benefits Transfer (DBT) scheme of the Union Government. The technological issues like poor connectivity, on-line deals will be accepted. Mobile deals through telecom drivers and their established centers as Cash Out Points are also planned to be used for fiscal Addition under the Scheme. An trouble is made to reach out to the youth of this country to take part in this Mission Mode Programme.

- 47.8 Crore heirs banked so far
- 1180856 Crore Balance in the accounts
- 6.55 Lakh Bank Mitras delivering branchless banking services in the Country

By providing a bank account to every household in the country, the Jan Dhan Yojana can help to increase access to financial products and services that may be necessary for education and employment. For example, the program provides credit facilities to account holders, which can be used to finance education or start a small business.

Pradhan Mantri Mudra Yojana:

This program provides loans to small businesses and entrepreneurs to help them start or expand their operations. Micro Units Development Refinance Agency Ltd. (MUDRA) is set up by Government of India to give financial assistance to the non-corporate, non-farm sector income generating activities of micro and small enterprises whose credit needs are below 10 Lakh

Pradhan Mantri MUDRA Loan - Products:

As guided by Pradhan Mantri MUDRA Yojana (PMMY), MUDRA has brought three products named 'Shishu', 'Kishore' and 'Tarun' according to the stage of growth and funding needs of the beneficiary micro unit. Loan amounts under these schemes are as below:

Shishu: covers up to 50,000

Kishore: covers above 50,000 and up to 5,00,000

Tarun: covers above 5,00,000 and up to 10,00,000

These schemes are helpful to all Non-Corporate Small Business Segment (NCSBS) operating as small manufacturing units, service sector units, shopkeepers, fruits/vegetable vendors, truck operators, food-service units, repair shops, machine operators, small industries, food processors and others in rural and urban areas according to customer needs. These are collateral free loans.

Direct Benefit Transfer (DBT):

This program involves the transfer of government benefits, such as subsidies and pensions, directly to the bank accounts of beneficiaries. This helps to reduce corruption and increase the efficiency of benefit distribution.

For the purpose of achieving financial inclusion of different sections of the people, Govt. of India has distributed money in the Direct Benefit Transfer program in Financial Year 2022-23 under different schemes. They are

Programme	Direct Benefits
PAHAL	Rs. 63,22,88,25,901
MGNREGS	Rs. 3,98,16,38,21,169
NSAP	Rs. 23,97,40,99,500
SCHOLARSHIPS	Rs. 55,73,82,38,985
PMAYG	Rs. 3,36,64,20,27,487
PDS	Rs.10,04,32,54,36,303
FERTILIZER	Rs.10,09,28,91,10,727
OTHERS	Rs 9,15,85,34,32,394
Grand Total	Rs.38,07,21,49,92,467

The DBT program helps to reduce poverty and increase access to education and employment opportunities.

National Electronic Funds Transfer (NEFT):

This is an electronic payment system that allows individuals and businesses to transfer funds between bank accounts. It is an important tool for financial inclusion because it allows people to access banking services even if they do not have a physical bank branch in their area.

Advantages of NEFT:

- ✓ It is one of the fastest and most secure methods to transfer money.
- ✓ It allows you to send money from one account to another within the same bank, as well as between accounts from other banks.
- ✓ You can use this method 24*7 and 365 days.
- ✓ The amount will be deposited into the beneficiary's account within just a few minutes.
- ✓ You can do a transaction just by logging into your net banking account. As a result, your time and effort will be saved.

Financial Literacy Centers:

The government has established Financial Literacy Centers (FLCs) in various parts of the country to provide education and training on financial topics, such as saving, borrowing, and investing. This helps to increase the financial literacy of the population, which is important for promoting financial inclusion.

National Centre for Financial Education conducts different Programmes like Financial Education Programme for Adults (FEPA), Financial Education Training Programme (FETP), Financial Awareness and Consumer Training (FACT), Money Smart School Program (MSSP) for educating people in Financial Planning, Financial Safety Nets and Insurance, Balancing Risk and Rewards, Investment, Retirement Planning etc.

By providing education and training on financial topics, the Financial Literacy Centers can help to increase the financial literacy of the population, which can be helpful for education and employment. For example, by understanding how to manage money and access credit, individuals may be more likely to invest in their education or start a small business.

Business Correspondent (BC) Model:

Under this model, banks can use intermediaries, such as microfinance institutions or non-governmental organizations, to provide financial services to underserved areas.

This helps to increase the availability of financial services in remote or hard-to-reach areas.

Bharat QR:

This is a quick response (QR) code-based payment system that allows individuals to make payments using their smart phones. It is an important tool for financial inclusion because it allows people to make digital payments even if they do not have access to a traditional bank account.

By providing an easy and convenient way for individuals to make digital payments, Bharat QR can help to increase access to education and employment opportunities. For example, it may be easier for students to pay tuition fees or for workers to receive payments for their labor.

The growing usage of smart phones and internet has led to the payments industry in India undergoing and experiencing a sharp surge in QR Code-based payment solutions. Banks have started providing their own variants of mobile banking app/wallets that users can download and use through their smart phones to make as well as receive payments.

This QR Code-based interface has initiated a new way for merchants and customers to exchange funds using mobile phones, making it a preferred channel to expedite and grow electronic payments. Merchants have used it to accept digital payments, as not all have the resources to mandate payments through POS card swipe EDC terminals

In an attempt to encourage more and more people to use less cash and make digital payments instead, the RBI authorized a few card payment networks to implement an interoperable solution for such QR Code operated mechanisms. A common interoperable QR based payment solution represents a channel of initiating and accepting payments between buyers and sellers (or consumers and merchants) using the mobile phone. This is one technology that may hold the key to expanding electronic payment in millions of small retail merchants.

Pradhan Mantri Jan-Dhan Yojana-Bima (PMJDY-Bima)

This is an insurance program that is available to account holders under the Jan Dhan Yojana. It provides accidental death and disability coverage to account holders at a very low cost.

Life Insurance under Pradhan Mantri Jan Dhan Yojana

The Pradhan Mantri Jan Dhan Yojana (PMJDY) aims at providing a simple bank account to all households without bank accounts. This bank account comes with Rs 1 lakh accidental insurance cover linked to Rs 1 lakh debit card. Hon'ble Prime Minister during its launch on 28.08.2014 in Delhi as a supplement to Accidental Insurance cover of Rs.1 Lakh for those who have subscribed bank account with Rs.100 Debit Card prior to January 26, 2015. Life security of Rs.30,000/- was also announced. Under Pradhan Mantri Jan Dhan Yojana, life insurance cover of Rs.30,000/- is given to the family of the deceased in case of death of the insured person due to any reason.

The objective of this scheme is to provide security to those families of economically weaker sections who are unable to take such insurance on their own. The premium for life cover under PMJDY is

contributed by the Government of India. This insurance program can provide financial security to account holders, which may make it easier for them to invest in their education or take risks, such as starting a small business, without worrying about financial consequences.

DigiLocker:

This is a digital platform that allows individuals to store and access important documents, such as identity and address proof, electronically. This is helpful for financial inclusion because it allows people to easily access and share documents that may be required for financial transactions. DigiLocker is a key initiative under Digital India, the Indian Government's flagship program aimed at changing India into a digitally empowered society and knowledge economy.

DigiLocker has helped in changing the paradigm shift towards paperless governance. It is helping citizens and departments to transfer from paper based processes to paperless processes. These digital documents are legally valid documents as per the Indian Information Technology Act 2000. Rule 9 A in "The Information Technology (Preservation and Retention of Information by Intermediaries Providing Digital Locker Facilities) Rules, 2016" clarifies that the documents available via Digital Locker are to be dealt at par with original physical documents. By allowing individuals to store and access important documents electronically, DigiLocker can help to streamline the process of applying for education or employment opportunities

UPI:

The Unified Payments Interface (UPI) is a real-time payment system that allows individuals to make and receive payments directly from their bank accounts. It is an important tool for financial inclusion because it allows people to make digital payments even if they do not have access to a debit or credit card. 7.3 billion UPI transactions draw in Rs.12.11 lakh crore in October, 2022: According to the data released by the National Payments Corporation of India (NPCI), UPI transactions raised from 678 crores in September 2022 to 730 crores in October 2022. This 7.7 % increase calculated to Rs.12.11 lakh crore as the total value of transactions in October compared to Rs.11.16 lakh crore earned in September. The instant interbank fund transfer through IMPS (Immediate Payment Service) transactions raised by 4.3 % while the NETC FASTag saw a rise of 9.3% from September. The Aadhaar card-enabled AePS went to 11.77 crore transactions and the value of transactions increased to Rs. 31,112.63 crores.

By making it easy for individuals to make and receive digital payments, UPI can help to increase access to education and employment opportunities. It can also help to reduce the need for physical transactions, which may be particularly beneficial in rural or remote areas where access to financial services may be limited.

Importance of financial inclusion

There are number of reasons that we can say financial inclusion is important. Some of the key benefits of financial inclusion include:

Reducing poverty: Financial inclusion can help to reduce poverty by providing access to financial products and services that can help individuals and businesses to manage their money, save for the future, and invest in their education and livelihoods.

Promoting economic growth: Financial inclusion can stimulate economic growth by providing access to credit, which can be used to finance small businesses and other economic activities. It can also help to increase the efficiency of financial transactions, which can reduce costs and increase productivity.

Improving financial stability: Financial inclusion can help to promote financial stability by providing access to a range of financial products and services, such as insurance and savings accounts, which can help individuals and businesses to manage risk and prepare for financial emergencies.

Enhancing social and political stability: Financial inclusion can contribute to social and political stability by reducing inequality and increasing the financial literacy of the population. It can also help to build trust in financial institutions and the financial system as a whole.

Promoting development: Financial inclusion can contribute to the overall development of a society by providing access to financial products and services that can help individuals and businesses to invest in their education, health, and well-being.

Conclusion

In conclusion, the policies and programs for financial inclusion in India can be helpful for education and employment of larger number of people. However, achieving financial inclusion is not always easy, and there are many challenges that need to be addressed. For example, many people do not have access to basic financial services because they live in areas where banks and other financial institutions are not present, or because they lack the necessary documentation or collateral to open a bank account. In addition, many people may not trust financial institutions, or may not understand how to use financial products and services. As a result, it is important for governments, financial institutions, and other stakeholders to work together to create inclusive financial systems that meet the needs of all people, regardless of their income, social status, or geographical location. Financial inclusion is an important concept that aims to ensure that everyone has access to the financial tools and services that they need to improve their financial well-being and achieve their goals. This includes access to things like bank accounts, credit, and insurance, which can help people to manage their money, save for the future, and invest in opportunities. Financial inclusion is important because it can help to reduce poverty and promote economic development, and it requires the participation of governments, financial institutions, and other stakeholders to create inclusive financial systems that meet the needs of all people.

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