A Study on Financial Inclusion with special reference to Jan dhan and Atal Pension Yojana in Ahmedabad (Banking the Un-banked)

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ARTICLE DETAILS

Article History
Received: 16 April 2016
Accepted: 19 April 2016
Published Online: 21 April 2016

Keywords
Microfinance
Financial Inclusion
SHGs
MFIs
Jan Dhan Yojana
Atal Pension Yojana

ABSTRACT

This paper appraises options for research relating to financial inclusion in India. This paper first set out a general well-being regime framework that can be used for this analysis and sketch the role of microfinance and various government schemes within it. Than the paper is carry forward with a brief introduction of Microfinance. The concept microfinance can be explained only if the main subject is clear which inclusive growth is. To explain the topic further some facts are been provided. Than the main subject of paper that is microfinance is explained along with the modes. The modes as such MFIs and SHGs are explained and are compared showing which mode is more efficient. The other mode of microfinance is the schemes which are released by the government. The list of schemes has been presented. Among all the schemes our main focus is on Jan Dhan Yojana as it has made a very great success and achievements also the scheme is mainly designed for the under privileged. The rest of the schemes are not taken in research paper as they are launched few months earlier and they are launched for all groups of society. The primary data which was collected by doing survey was compared with the secondary data and the various inferences were drawn. The other scheme taken in survey was Atal Pension Yojana. The primary data was collected and it was compared with the secondary data. The recommendations were given to make the research more meaningful and valid. The statistics was presented in the tabular and graphical form. The study conclude that the government should take some initiatives to make the schemes more popular and making its implementation more effective.

INTRODUCTION

"Nearly forty years after nationalization of banks, 60% of the country's population do not have bank accounts and nearly 90% do not get loans," India has been currently the second-highest number of financially excluded households in the world. While, 40% of India’s populations have bank accounts, and about 10% have life insurance cover, a meager 0.6% has non-life insurance cover. Financial services actively contribute to the humane & economic development of the society. These lead to social safety net & protect the people from economic shocks. Hence, each & every individual should be provided with affordable institutional financial products/services popularly called “financial inclusion”.

INCLUSIVE GROWTH

Inclusive growth as the literal meaning of the two words refers to both the pace and the pattern of the economic growth. The ‘inclusive growth’ as a strategy of economic development received attention owing to a rising concern that the benefits of economic growth have not been equitably shared. Growth is inclusive when it creates economic opportunities along with ensuring equal access to them. Apart from addressing the issue of inequality, the inclusive growth may also make the poverty reduction efforts more effective by explicitly creating productive economic opportunities for the poor and vulnerable sections of the society.

INCLUSIVE GROWTH IN INDIA

After three centuries of relative and absolute poverty, India has in recent decades begun to return to its previous position as a global economic power, and this process has come into consideration over the last few years. Inclusive growth has been the main ingredient to carry the same forward.

FACTS ABOUT INCLUSIVE GROWTH

Growth:
Post independence and till 1980, GDP growth in India averaged around 3.5 per cent. The story really begins in 1980 when growth started to exceed 5 per cent per annum on a consistent basis. Major economic reforms were initiated in 1991 but for a decade, there was no acceleration in GDP growth – it stayed constant at 5.5 per cent per annum. Starting 2003, however, there has been a marked acceleration in GDP growth to more than 8 per cent per annum.

Inequality:
Inequality is conventionally measured by the Gini coefficient. If all income is in the hands of one person, the Gini is equal to 1; if each person has the same income, then the Gini is equal to zero. In 1983, real Gini was estimated to be .304 and it dipped to a low of .284 in 1993-94 (see Table 1). That was a 7 per cent improvement in inequality. Since then, and including the high growth period since 2003-04, real inequality increased to .325 in 2009-10. No doubt inequality has increased, but a 7 per cent increase over nearly
30 years might just be one of the lowest inequality increases recorded for a fast growing developing economy.

Poverty:
In the twenty-one year period between 1983 and 2004-05, GDP growth was around 5.5 per cent and poverty decline about 2 per cent per annum (in log terms). In the five year period since 2004-05, as the growth rate increased, the pace of poverty decline also more than doubled to 4.7 per cent per annum.

Education:
The ratio of girl to boy education (i.e., how many years of education a girl aged 8-24 has completed for each year of education completed by a boy) was a low 61 per cent in 1983. In 2009-10, the girls are near equality – for each one year of education completed by a boy, a girl now completes 0.93.

In view of the above facts government of India has taken initiatives from time to time to reduce the gap between rich and poor, to improve the education level, and so on through various microfinance initiatives and various other schemes for financial inclusion. The Indian states have also put stress on providing financial services to the poor since independence.

MEANING OF FINANCIAL INCLUSION

Financial inclusion is delivery of banking services at an affordable cost (no frill-accounts) to the vast sections of disadvantaged and low- income groups. Unrestricted access to public goods and services is the sine qua non of an open and efficient society. Financial inclusion was an initiative to remove inequality of income and to provide a good standard of living to all people in the country.

IMPORTANCE OF FINANCIAL INCLUSION IN INDIA

The government has been focusing on financial inclusion for the development of rural and semi-rural areas mainly for three major reasons. Financial inclusion has progressed in a depressingly slow pace, despite 60-long years of independence, and several decades of existence of nationalized banks and progress of technology, especially mobile-based in the last decade.

1. Creating a platform for inculcating the habit to save money –
The lower income category has been living under the constant shadow of financial duress mainly because of absence of savings. Presence of banking services and savings will lead to habit of saving and thus improve the standard of living of people. Capital formation in the country is also expected to boost once financial inclusion measure materialize as people move from traditional modes to modern modes.

2. Providing formal credit avenues-
So far the people had been dependent on informal channels of credit. Availability of adequate and transparent credit from formal banking allows the spirit of entrepreneurship of the masses to increase outputs and prosperity countryside. A classic example of what easy and affordable availability of credit can do for poor is the micro financial sector.

3. Plug gaps and leaks in public subsidies and welfare program-
Government s pushing for direct cash transfers to beneficiary through their bank accounts rather than subsidizing products and making cash payments. This laudable effort is expected to reduce government’s subsidy bills and provide relief to the real beneficiary. All this requires affordable banking system that can reach out to all. Therefore, there has been a push for financial inclusion

FINANCIAL INCLUSION IN INDIA

The foundation of financial inclusion in India was laid by Y. Venugopal Reddy, Governor of RBI in April 2005 in the Annual Policy Statement.

In India, RBI has come up with several methods to enhance financial inclusion. Some of these initiatives are:-

1. Opening of no-frills accounts.
2. Relaxation on know-your-customer (KYC) norms.
3. Engaging business correspondents (BCs).
4. Use of technology
5. Adoption of EBT
6. Simplified branch authorization
7. Opening of branches in rural areas
8. Various schemes

MODES OF FINANCIAL INCLUSION

Financial inclusion is a diverse concept as a part of the inclusive growth of any country. For a developing country like India, it is necessary to implement such practices. To simplify this wide range of financial inclusion, it has been brought into practice by the two modes, namely, Microfinance and Government initiatives.

1. Microfinance

Meaning of Microfinance:
“Microcredit, or microfinance, is banking the unbankables, bringing credit, savings and other essential financial services within the reach of. Millions of people who are too poor to be served by regular banks, in most cases because they are unable to offer sufficient collateral. In general, banks are for people with money, not for people without.”

The aim of microfinance was to provide the sources to help the poor attain self-sufficiency. They had neither resources nor employment opportunities to be financially independent to supplement these efforts, the credit scheme Integrated Rural Development Programme (IRDP) was launched in 1980. Financial inclusion is expected to unleash the usually untapped potential of the bottom of pyramid structure of Indian economy. Perhaps, financial inclusion can begin the next revolution of growth and prosperity.
With financial inclusion as the main concern of inclusive growth, microfinance has occupied a center stage as a strong pillar for the unbanked sections of the society. In India, microfinance operates through two channels:-

i. **SHG- Bank Linkage Programme (SBLP)**
   This channel is worked upon by a network of banks which was initiated by NABARD in 1992. Under this model, women of the rural areas and backward sections of the society are encouraged to contribute their share in the form of a group consisting of 10-15 members. The members are made to give a certain amount of money periodically and from these savings, small loans are provided to the members. In the later period, loans taken from banks and the return of the amount of the loan given generate income and this is how the loan is provided again according to the demand. SHGs have earned a huge response in the past few years.

ii. **Micro Finance Institutions (MFIs)**
   The institutions which have microfinance as the main criteria are known as MFIs. Microfinance services are rendered by a number of organizations. The main aim of the MFIs is to provide loans at a lower interest rate to the underprivileged and impoverished sections of the society.
   Forbes magazine added seven micro finance institutes of India in world’s top 50 MFIs.

   - Microcredit Foundation of India- ranked 13th
   - Saadhana Microfin Society- ranked 15th
   - Grameen Koota- ranked 19th
   - Sharda’s Women’s Association for Weaker Section- ranked 23rd
   - SKS Microfinance Private Ltd- ranked 44th
   - Asmitha Microfin Ltd- ranked 29th

2. **Government Initiatives**
   The growth of a country depends upon the updating of government policies in terms of both, thought and action. In India, ever since the period of PM Narendra Modi, there has been a tremendous workout towards promulgation of new schemes that make financial security for the common man. The following three schemes initiated by the government recently are:-

1) **Pradhan Mantri Suraksha Bima Yojana (ACCIDENTAL INSURANCE)**
   Under this scheme, a person will be provided cover of Rs. 2, 00,000 for an annual premium of Rs. 12. This cover is for accidental death or permanent disability. The scheme will be available to people in the age group of 18 to 70 years with a savings bank account, who give their consent to join and enable auto-debit on or before May 31 for the coverage period- June 1 to May 31- on an annual renewable basis.

2) **Pradhan Mantri Jan Dhan Yojana**
   This scheme roughly translates into English as “People’s Wealth Scheme”. Pradhan Mantri Jan Dhan Yojana is a national Mission for Financial Inclusion to ensure access to financial services, namely, Banking/ Savings and Deposit accounts, Remittance, Credit, Insurance, and Pension in an affordable manner.

   The account holder can start an account with zero balance and it does not require keeping minimum balance. Other than this the other benefit
   Benefits under this scheme:-
   a) Interest on deposits.
   b) Accidental insurance cover of Rs. 1 lac.
   c) No minimum balance required.
   d) Life insurance cover of Rs.30,000
   e) Easy transfer of money across India.
   f) Accidental insurance cover, RuPay debit card must be used atleast once in 45 days.
   g) Overdraft facility upto Rs.5,000 is available in only one account per household, preferably lady of the household.

3) **Atal Pension Yojana**
   Keeping in mind, the ideal of creating a universal social security system for all Indians that would ensure that no Indian citizen would have to worry about illness, accidents or penury in old age, Finance Minister Jaitely in his February 2015 Budget Speech proposed the National Pension Scheme, the Atal Pension Yojana which got into action since 1 June, 2015.

4) **Pradhan mantri kaushal vikas yojana**
   Pradhan Mantri Kaushal Vikas Yojana (PMKVV) is the flagship outcome-based skill training scheme of the Ministry of Skill Development & Entrepreneurship (MSDE). The objective of this skill certification and reward scheme is to enable and mobilize a large number of Indian youth to take up outcome based skill training and become employable and earn their livelihood.

5) **Pradhan mantra suraksha bima yojana:**
   In this yojana one can avail accidental insurance of Rs. 2 lakhs at very low premium of Rs. 12 p.a. this yojana is available to all those who have bank account and whose age is between 18-70 years.

6) **Pradhan mantra jeevan jyoti bima yojana:**
   In this scheme one can avail life insurance cover of rs. 2 lakhs at very low premium of rs. 330 p.a. this is the yojana which is available to all bank account holders whose age is between 18-50 years. The insurance amount will be provided to other members after the death of the registered person.
   Since the list is very long this is just a glimpse of what initiatives P.M. Modi has taken in such a short duration and we are going to concentrate on the most popular scheme which created world record of opening 15 million bank accounts in just a day and on which lot of marketing expenditure has been incurred to create awareness about the scheme. So our main focus is to evaluate the success of scheme Jan Dhan yojana along with the MFIs and the SHGs.

**WORKING OF MICROFINANCE:**

Nobel Laureate Muhammad Yunus is credited with laying the foundation of the modern MFIs with establishment of Grameen Bank, Bangladesh in 1976. Today it has evolved into a vibrant industry exhibiting a variety of business models. Microfinance Institutions (MFIs) in India exist as NGOs (registered as societies or trusts), Section 25 companies and Non-Banking Financial Companies (NBFCs), Commercial Banks, Regional Rural Banks (RRBs), cooperative societies and other large lenders have played an important role in providing refinance facility to MFIs. Banks have also leveraged the Self-Help Group (SHGs) channel to provide direct credit to group borrowers.
MICRO FINANCE INSTITUTES

Those institutions which have microfinance as their main operation are known as micro finance institutions. A number of organizations with varied size and legal forms offer microfinance service. These institutions lend through the concept of Joint Liability Group (JLG). A JLG is an informal group comprising of 5 to 10 individual members who come together for the purpose of availing bank loans either individually or through the group mechanism against a mutual guarantee. The reason for existence of separate institutions i.e. MFIs for offering microfinance are as follows:

- High transaction cost – generally micro credits fall below the break-even point of providing loans by banks
- Absence of collaterals – the poor usually are not in a state to offer collaterals to secure the credit
- Loans are generally taken for very short duration periods
- Higher frequency of repayment of installments and higher rate of Default
- Non-Banking Financial Companies (NBFCs), Cooperative societies, Section-25 companies, Societies and Trusts, all such institutions operating in microfinance sector constitute MFIs and together they account for about 42 percent of the microfinance sector in terms of loan portfolio. The MFI channel is dominated by NBFCs which cover more than 80 percent of the total loan portfolio through the MFI channel.

SELF-HELP GROUPS (SHGs)

This is the bank-led microfinance channel which was initiated by NABARD in 1992. Under the SHG model the members, usually women in villages are encouraged to form groups of around 10-15. The members contribute their savings in the group periodically and from these savings small loans are provided to the members. In the later period these SHGs are provided with bank loans generally for income generation purpose. The group’s members meet periodically when the new savings come in, recovery of past loans are made from the members and also new loans are disbursed. This model has been very much successful in the past and with time it is becoming more popular. The SHGs are self-sustaining and once the group becomes stable it starts working on its own with some support from NGOs.

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2010-11</th>
<th>2011-12</th>
<th>2012-13</th>
</tr>
</thead>
<tbody>
<tr>
<td>SHG Savings with Banks as on 31 March</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total SHGs</td>
<td>74.62 (7.3%)</td>
<td>7016.30 (13.2%)</td>
<td>79.60 (6.7%)</td>
</tr>
<tr>
<td>Of which SGSY Groups</td>
<td>20.73 (19.4%)</td>
<td>18117.12 (40.6%)</td>
<td>21.23 (5.0%)</td>
</tr>
<tr>
<td>% of SGSY Groups to Total</td>
<td>27.1</td>
<td>29.5</td>
<td>26.7</td>
</tr>
<tr>
<td>All Women SHGs</td>
<td>60.8 (44.8%)</td>
<td>5298.65 (17.8%)</td>
<td>62.99 (3.3%)</td>
</tr>
<tr>
<td>% of Women Groups to Total</td>
<td>81.7</td>
<td>75.5</td>
<td>79.1</td>
</tr>
<tr>
<td>Loans Disbursed to SHGs during the year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total SHGs</td>
<td>11.96 (-24.6%)</td>
<td>14547.73 (0.01%)</td>
<td>11.48 (-4%)</td>
</tr>
<tr>
<td>Of which SGSY Groups</td>
<td>2.61 (-9.9%)</td>
<td>2480.37 (12.8%)</td>
<td>2.10 (-12.9%)</td>
</tr>
<tr>
<td>% of SGSY Groups to Total</td>
<td>20.1</td>
<td>17.0</td>
<td>18.3</td>
</tr>
<tr>
<td>All Women SHGs</td>
<td>10.17 (-21.4%)</td>
<td>12622.33 (1.6%)</td>
<td>9.23 (-9.2%)</td>
</tr>
<tr>
<td>% of Women Groups to Total</td>
<td>85</td>
<td>86.8</td>
<td>80.4</td>
</tr>
<tr>
<td>Loans Outstanding against SHGs as on 31 March</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total SHGs</td>
<td>47.87 (-1.3%)</td>
<td>31221.17 (11.4%)</td>
<td>43.54 (-9.0%)</td>
</tr>
<tr>
<td>Of which SGSY Groups</td>
<td>12.86 (3.2%)</td>
<td>7293.39 (25.2%)</td>
<td>12.16 (-5.4%)</td>
</tr>
<tr>
<td>% of SGSY Groups to Total</td>
<td>26.9</td>
<td>25.1</td>
<td>27.9</td>
</tr>
<tr>
<td>All Women SHGs</td>
<td>39.84 (2.2%)</td>
<td>26123.75 (13.4%)</td>
<td>36.49 (-8.4%)</td>
</tr>
<tr>
<td>% of Women Groups to Total</td>
<td>83.2</td>
<td>83.7</td>
<td>83.8</td>
</tr>
</tbody>
</table>
The loan disbursed through SHGs has shown improvement in performance where as loan disbursed through microfinance institutions is decreasing. This is mainly because of the high interest rates charged by the MFIs which has induced under privileged people to opt for finance from SHGs. Inspite of the RBI norms for reduction in rates, the MFIs continue to charge higher rates.

The savings of people forming SHGs has also shown improving trend which shows that they are getting maximum benefit out of microfinance through SHGs and along with it their standard of living is improving and making them financially gain.

The above data shows that SHGs has also led to women empowerment which is seen from savings of 5298.65 lakhs to 6514.86lakhs.

Seeing the performance of micro finance and SHGs, the government should encourage more of SHGs as direct benefits are given to the beneficiaries.

The study was under taken with the objective to know whether financial inclusion for under privileged has taken place or not. In order to suffice this objective the study focuses on the success of JAN DHAN YOJANA. A survey was conducted in different parts of Ahmedabad city with a sample size of 100 respondents having income levels below 5000 to 15000 and above but all the respondents are in the categories of below 15000.

In Jan Dhan Yojana more than Rs. 100 crore marketing expenditure was spent by the government but it failed to create total awareness among the people. The graph also testifies the same and only 72 respondents out of 100 are aware about the scheme. The situation for enrolment is further pitiable as only 31 respondents have opened their accounts under this scheme. Thus the claim laid by the government to get an account in every Indian household has not been very successful at this point of time. Through our survey we came to know that many people are having the desire to open the account now.

**CLAIMS OF GOVERNMENT ABOUT JAN DHAN YOJANA**

On the inauguration day on August 28, some 15 million bank accounts were opened under the Jan Dhan Yojana scheme. Since it has already crossed 2.14 crore account holders, the government is taking a fresh look at the campaign and decides the next phase. As per the DNA paper on August 13, 2015 the Jan Dhan Yojana roared out to be successful.

But as per our findings in Ahmedabad only 32 respondents have opened their accounts under Jan Dhan yojana. Inspite of so much of marketing and efforts by Modi government the scheme has not got that much responses as desired because A majority of the poor and un-banked still resort to illegal chit funds and private money lenders to keep their hard earned money and avail of tiny loans, not necessarily because a nearest bank branch isn't available but because the bank often doesn't want to give him/her a Rs 5000 loan or accept a Rs 500 deposit.
The most aware facility is the individual insurance which is followed by the overdraft facility. This shows that the other facilities are still not popularized among the people. So the facilities should be listed and advertised properly to make it known.

**RECOMMENDATIONS**

1. Though Jan Dhan yojana has received tremendous response from all quarters of the society, still much more is to be done as still more than half of India is still without bank accounts.

2. It is very important to promote and encourage banking so that Govt. welfare policies and schemes reach the underprivileged and their financial Inclusion takes place and this would improve the Standard of living and boost the savings making it available for capital formation.

3. From the survey it is revealed that the people are not aware completely about the benefits of the scheme even though 100 crores have been spent on this scheme for creating awareness. Not only are these people not availing them so steps should be taken to create more awareness and improving the marketing program and making it more effective.

<table>
<thead>
<tr>
<th>S. No</th>
<th>No Of Accounts (In Lacs)</th>
<th>No Of Rupay Debit Cards (In Lacs)</th>
<th>Balance In Accounts (In Lacs)</th>
<th>No Of Accounts With Zero Balance (In Lacs)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rural</td>
<td>Urban</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Public Sector Banks</td>
<td>305.48</td>
<td>258.73</td>
<td>564.2</td>
</tr>
<tr>
<td>2</td>
<td>Regional Rural Banks</td>
<td>98.41</td>
<td>17.33</td>
<td>115.74</td>
</tr>
<tr>
<td>3</td>
<td>Private Banks</td>
<td>9.41</td>
<td>9.78</td>
<td>19.19</td>
</tr>
<tr>
<td>Total</td>
<td>413.30</td>
<td>285.84</td>
<td>699.13</td>
<td>369.09</td>
</tr>
</tbody>
</table>

**State-wise Account Opening Weekly Statistics**


From the above table the total numbers of accounts opened with public sector banks are 564.2 lakhs but against it only 352.25 lakhs Rupay debit cards have been distributed which shows that bank should accelerate the facilities provided under this scheme. In the same way, 115.74 lakhs bank accounts have been opened but only 11.81 Rupay debit card has been distributed.

Under this scheme Account holders are also getting an accidental insurance of Rs 1 lakh with every account, along with an overdraft facility of Rs 5000, which can prove to be a miracle for small business men and traders, along with those in agriculture but due to the approachability problem, the people are still relying on chit funds and illegal private lender. This practice should be discouraged.

**Atal Pension Yojana**

Atal Pension Yojana is a government-backed pension scheme in India targeted at the unorganized sector. It was originally mentioned in the 2015 Budget speech by Finance Minister Arun Jaitley in February 2015. It was formally launched by Prime Minister Narendra Modi on 9 May in Kolkata.

The above chart shows that the respondent enrolled under atal pension yojana. As per the survey 57 respondents are enrolled under atal pension yojana out of 100 respondents. Thus the awareness and enrolment of the yojana is approximately 57%. 

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Conclusion:
The main challenge before the country is the dependence on unorganized sector and this should be reduced and more people should be brought under the umbrella of organized sector. Banks should be directed for more cooperative attitude towards opening of accounts. This will reduce the exploitation of the poor and the gap between the poor and the rich will reduce. Though the features of the schemes are attractive they are failing in their implementation. Practical application is difficult for the schemes due to ignorance and lack of cooperation from banks and lack of willingness. Mainly Financial Inclusion in India is through SHGs and micro finance initiatives. Financial inclusion is one of the levers with the greatest potential for economic and social progress in the 21st century.

REFERENCES