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A Study on Financial Inclusion and its Impact on Quality of Life

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ABSTRACT

Financial inclusion means bringing together all the financial services at a reasonable cost to extensive sections of poor income groups who were removed from formal financial system. Many of the people excluded from the formal financial system cannot access financial services due to falling policies and failures in the market. Financial inclusion is now being considered as an instrument to reduce poverty and thereby providing development to meet financial needs.

1. Introduction

The financial services provided by the financial sectors are not reachable to many poor, low income and vulnerable group. The development of financial sector and accessibility to various services will increase the economic stability and feasible development. The concept of financial inclusion has emerged as a new weapon for combating poverty, enhancing, self esteem, family status, standard of living e.t.c..Financial inclusion initiates throughbanks, micro financial institutions (MFI'S) Self Help Groups e.t.c have procured to be very significant in making the people to overcome some of their social, financial, economical and personal problems of their life.

The term Quality Of Life (QOL) refers to the general well-being of individuals and society. The term is used in a wide range of contexts, including the fields of international development, healthcare, and politics. Quality of life should not be confused with the concept of standard of living, which is primarily based on income. The indicators of the quality of life include not only wealth and employment but also the environment, physical and mental health, education, recreation and leisure time and social belonging of the individual and the society.

2. Objectives of the study

- To study and analyze the financial inclusion and its impact on the quality of life.
- To identify the awareness and usage of various financial products and services offered by various financial institutions.
- To analyse the role of banks and their products and services in spreading financial inclusion.
- To identify various problems or difficulties faced by people in accessing financial products and services.

3. Review of Literature

Report of the Financial Inclusion Committee on Financial inclusion defines financial inclusion as delivery of financial services at an affordable cost to vast sections of disadvantaged and low-income groups (GOI, 2008). Unrestrained access to public goods and services is the sine qua non of an open and efficient society. This view is reiterated in the definition "the process of ensuring access to timely and adequate credit and financial services to vulnerable groups at an affordable cost" (Kamath, 2007). As banking services are in the nature of public goods, it is essential that availability of banking and payment services to the entire population without discrimination is the prime objective of the public policy.

Financial inclusion is important because it is considered as an important condition for sustaining growth (Subbarao, 2009). Such access is especially powerful for the poor as it provides them the opportunity to build savings, make investments and avail credit. Access to financial services also helps the poor to insure themselves against income shocks and equips them to meet emergencies such as illness, death in the family or loss of employment. It helps them to get away from the clutches of usurious money lenders. Financial inclusion also permits governments to make payments such as social security transfers and National Rural Employment Guarantee Programme (NREGA) wages into bank accounts of beneficiaries.

Keith and Schalock argue that QOL can be used in three ways: as a "sensitizing notion that provides reference and guidance", as a "social construct", and as an "organizing concept" or "unifying theme". Keith argues that it is the view of many researchers that QOL cannot be defined exactly, and that they are therefore more likely to choose to study various facets and dimensions of QOL rather than to attempt to define it explicitly.

Usha RR, Cooper C, Kerslake H. study tried to measure the quality of life among nonworking and working women using indirect measures like mental health, self-esteem, mother role satisfaction and stress. The results revealed that non-working women had poorer mental health as well as the lower self-esteem as compared to the working women. The nonworking women also reported more depression. The most common stressor reported by the non-working women was poor social life.

4. Conceptual Framework

Elements of financial inclusion

Transaction banking

Search today accessibility of financial services other than savings credit and insurance it includes the payment to third parties and services like debit cards direct debits automatic transfers etc

Savings

Savings can be in the form of savings bank account recurring deposits fixed deposits with any of the financial services including services provided by commercial banks cooperative banks regional rural banks are self help groups

Credit

It is an important indicator for assessing the financial inclusion it is measured using the level of well being that is achieved by each of the family

Insurance

It provides coverage today accidents arising in a society that affects the wealth of the human being recent developments provides advanced methods to secure the life of people in the society

Financial literacy and financial inclusion schemes

Financial literacy defined as the level of awareness knowledge and the skill of people about the financial decisions in an informal manner. It is a primary step analyse the perfection level of People who seeks the financial Services

The vast section of people is lacking accessibility to financial services like savings, credit and insurance facility in the country. It's hard to distinguish between the accessibility of financial services and its impact on quality of life. Now a day's many financial inclusion schemes are provide by the government to help poor people to access the financial services easily. Some of them are:

a. PradhanaMantri Jan DhanYojana

- No criteria for minimum balance
- 1 lakh for accident insurance and 30000 life insurance cover for those who opened bank account before January 26
- 4% interest per annum
- Money can be transferred to any account
- Overdraft facility up to 50000 available after the operation of bank account for 6 months

b. Sukanya Samriddhi Yojana (beti bachao beti padhao)

- Opening of one account per girl child(max 2 accounts if there are 2 girl children)
- Account can be opened and operated by parent or guardian as soon as girl child turns 10
- Minimum 100 and maximum 1.5 lakhs can be deposited during one financial year
- The account can be closed only when the girl turns 21
- Birth certificate must be submitted at the time of opening of account

c. Pradhan Mantri Jeevan Jyoti BimaYojana(PMJJBY)

- Offering life insurance coverage for 2 lakh rupees on death is available for just Rs.330 per annum
- Any savings bank account holder aged between 18 and 50 years can avail this scheme
- Adhar linking with the account is manadatory
- Death benefit will be received by the nominee
- The cover is for one year.It can be renewed every year

d. RashtritaSwasthyaBimaYojana(RSBY)

- Health insurance coverage to unorganised sectors, such as constructions that are registered under welfare bonds, streetvendors, licensedporters, auto or taxi drivers
- Covers up to Rs.30000 for family consisting 5 members
- Provide transportation charge of Rs.100 per visit to the hospital with maximum limit of Rs.1000
- Premium is just for Rs.30 and provide a RSBY Smart card which allows holder to claim medical care expenses up to Rs.30000

e. National Social Assistance scheme

- Financial assistance to the elderly,widows and people with disabilities
- Anyone above 60 years and in BPL category
- BPL widow fall in the age of 40-64
- BPL people with more than 80% disability and are above 18 years

f. PradhanaMantri Mudra Yojana

- Designed for non corporate, non form sector, micro and small enterprises whose credit needs are below Rs.10 lakhs
- Shishu –offers loans of up to Rs.50,000
- Kishore-offers loans up to Rs.5,00,000
- Tarun –offers loans up to Rs.10,00,000
- This Scheme provides mudra loan for vehilcles,business instalment loan for working capital,office renovation, business loans,rural business credit,drop line overdraft facility and repayment of loan is as hgh as 7years
- vii)PradhanaMantriFasalBimaYojana
- National agriculture insurance with low premium crop insurance,use of technology for weather forecasting

g. BSBDA(Basic Savings Bank Deposit Account)

- No minimum balance
- Facility of providing ATM Card
- No minimum balance
- Facility of providing ATM card

5. Financial Products and Services

A. Smart Card

A smart card usually contains an embedded 8-bit microprocessor (a kind of computer chip). The microprocessor is under a contact pad on one side of the card. Think of the microprocessor as replacing the usual magnetic stripe present on a credit card or debit card. The microprocessor on the smart card is there for security. The host computer and card reader actually "talk" to the microprocessor. The microprocessor enforces access to the data on the card. The chips in these cards are capable of many kinds of transactions

B. Debit Card

Debit cards are also known as check cards. Debit cards look like credit cards or ATM (automated teller machine) cards, but operate like cash or a personal check. Debit cards are different from credit cards. While a credit card is a way to "pay later," a debit card is a way to "pay now." When you use a debit card, your money is quickly deducted from your checking or savings account. Debit cards are accepted at many locations, including grocery stores, retail stores, gasoline stations, and restaurants. You can use your card anywhere merchants display your card's brand name or logo. They offer an alternative to carrying a cheque book or cash.

C. Kissan Credit Card Scheme

It Is a credit scheme introduced in August 1998 by Indian banks..Its objective is to meet the comprehensive credit requirements of the agriculture sector by giving financial support to farmers. Participating institutions include all commercial banks, Regional Rural Banks, and state co-operative banks. The scheme has short term credit limits for crops, and term loans. KCC credit holders are covered under personal accident insurance up to ₹50,000 for death and permanent disability, and up to ₹25,000 for other risk. The premium is borne by both the bank and borrower in a 2:1 ratio. The validity period is five years, with an option to extend for up to three more years. Kisan Credit Card (KCC) offering credit to the farmers in two types viz, 1. Cash Credit 2. Term Credit (for allied activities such as pump sets, land development, plantation, drip irrigations).

D. General Purpose Credit Card Scheme

The GCC, preferably, may be issued as a Smart card / Debit card (Biometric smart card compatible for use in the ATMs / Hand held Swipe Machines and capable of storing adequate information on entrepreneur's identity, assets and credit profile etc.). Wherever the accounts are not digitized, the GCC may be issued as a card/pass book or a credit card cum pass book incorporating the name, address, photograph of the holder, particulars of borrowing limit, validity period etc. for the time being which will serve both as an identity card as well as facilitate recording of the transactions on an ongoing basis.

E. Quality of Life

FINANCIAL ASPECTS-Financial inclusion mainly concentrates in increasing savings among lower income people by making their income level in a stable condition. Wealth of each families in the society is the backbone of our economy. To make our nation on to wealth perspective it's important to reduce the financial difficulties through effective management of money. This method will help to forecast a better financial plan.

ECONOMIC ASPECTS-It includes reduction in poverty, introduction of new employment opportunities, improved standard of living, economic empowerment

SOCIAL ASPECTS-This aspect mainly concentrates in creating social awareness and social security among people. Social welfare can only be attained through active participation in social activities by people, for this they should be properly guided

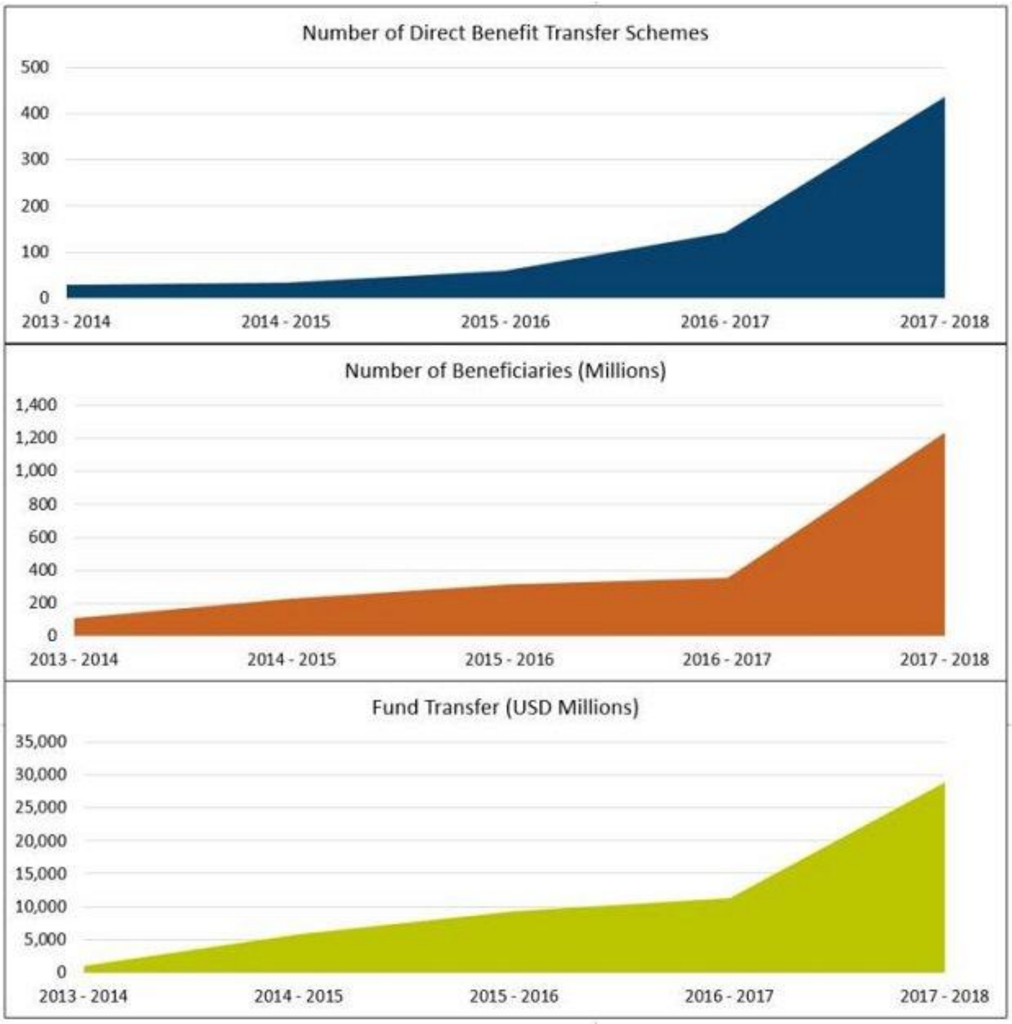
PERSONNEL ASPECTS-Quality of life mainly depends on the financial satisfaction of each individual. This satisfaction relay in the self confidence and also in the good status of the family.

6. General Analysis of Financial Inclusion

The latest Findex and FII surveys agree that the *Jan DhanYojana* scheme (PMJDY) has been the principal driver of increases in financial inclusion since the 2014 Findex. Launched in 2014 by Prime Minister NarendraModi, PMJDY mandated that state-owned banks open at least one account for every unbanked household. Most accounts opened since then have been at the state banks. According to the PMJDY website, private-sector banks accounted for just 9.9 million of the 317.3 million accounts opened by May 2018 (3.1 percent). In terms of account ownership, India is now on par with China, another country with strong state backing for bank-led financial inclusion.

A few other factors have also increased account ownership since 2014, all spearheaded by the government. India's biometric identity scheme, *Aadhaar,* reached near universal adult coverage, making it easier for people to verify their identities and open accounts. The Unique Identification Authority of India reports that 1.21 billion *Aadhaar* numbers had been issued by June 2018. Findex shows that 90 percent of unbanked adult Indians say they have proof of their identity. Furthermore, the 2018 State of Aadhaar report shows that 84 percent of people used *Aadhaar* as proof of identity to open their most recent bank account.

A growing number of government benefit programs have also played a role by increasing the demand for accounts among poor people. In the 2017/2018 fiscal year alone, the Indian government paid $28.92 billion in benefits to 1.24 billion people. These payments included everything from housing and cooking gas subsidies, to rural employment wages, to scholarships.



Source: https://dbtbharat.gov.in.

India's decision to offer full-service accounts further increased demand. Previous attempts to open accounts for excluded people were hampered by the fact that banks offered accounts with limited functionality. There were maximum account balances, ATM cards were not issued, check deposits were not permitted and customers were allowed to transact at agents but not at branches. PMJDY mandated full-service accounts that are more useful to clients. By the end of 2017, over 75 percent of PMJDY account holders had a RuPay debit card. This card provides access to the ATMs and point-of-sale devices of over 1,500 member banks of the National Payments Corporation of India system.

7. Conclusion

Financial inclusion 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 current study aims at analyzing financial inclusion and its impact on certain aspects of quality of life such as financial, economical, social and personal aspects. Our Indian economy can attain sustainable development among all sectors through proper awareness of financial inclusion schemes among people in the society.