



FINANCIAL INCLUSION - INDIAN EXPERIENCE



Financial Inclusion (FI)

“Simplicity and reliability in financial inclusion in India, though not a cure all, can be a way of liberating the poor from dependence on indifferently delivered public services. In order to draw in the poor, the products should address their needs — a safe place to save, a reliable way to send and receive money, a quick way to borrow in times of need or to escape the clutches of the money lender, easy to understand life and health insurance and an avenue to engage in savings for the old age.”

Raghuram Rajan, Governor, Reserve Bank of India

Status of financial coverage in India

- ▶ 246.7 million households in the country, 58.7% households had access to banking services as per Census 2011
 - ▶ 54.46% rural
 - ▶ 67.68% urban
- ▶ The banking network comprises of 128,397 branches and 189,844 ATMs
 - ▶ 38.2% branches and 14.58% ATMs are in rural areas
- ▶ Left out of this coverage
 - ▶ Villages <2000 population
 - ▶ Migrant labourers and poor working in informal sector
 - ▶ Small and marginal farmers practising rain-fed agriculture
 - ▶ Women

Pradhan Mantri Jan Dhan Yojana (PMJDY)

National Mission on Financial Inclusion was announced by Shri Narendra Modi, Prime Minister, in his Independence Day Speech on August 15, 2014.



Scope and Plan under PMJDY

- (i) Universal access to banking facilities for all households across the country through a bank branch or a fixed point Business Correspondent (BC) within a reasonable distance (60 million rural and 15 million urban are uncovered).
- (ii) To cover all households with at least one Basic Bank Account with RuPay Debit card having inbuilt accident insurance cover of Rs.100,000.
- (iii) An overdraft facility up to Rs.5000/- after satisfactory operation in the account for 6 months.
- (iv) A Life Cover of Rs.30,000/- to those beneficiaries who open their accounts for the first time.
- (v) Expansion of Direct Benefit Transfer under various Government Schemes through bank accounts of the beneficiaries.
- (vi) Providing micro -insurance to the people.
- (vii) Unorganised sector Pension schemes through the Business Correspondents.



Banking Service Delivery Channels - I



All the 6 lakh villages across the entire country to have at least one fixed point Banking outlet catering to 1000 to 1500 households-Sub Service Area (SSA).

SSAs shall be covered through a combination of banking outlets i.e. branch banking and branch less banking by setting up an additional 50,000 Business Correspondents (BCs), more than 7,000 branches and more than 20,000 new ATMs.

Social Security Schemes

Pradhan Mantri Suraksha Bima Yojana

Accidental insurance coverage of Rs 200000 at a premium of Rs 12/- per annum/ member (Age 18 - 70)

Pradhan Mantri Jeevan Jyoti Bima Yojana

Life insurance coverage of Rs 200000 at a premium of Rs 330 /- per annum/ member (Age 18-50)

Atal Pension Yojana

Assured pension of Rs 1000/- to Rs 5000/- (Age 18-40)

Technology Use

In order to make available the banking facilities across the length and breadth of the country, latest technological products like Electronically Know Your Customer (e-KYC), Transaction through Mobile Banking, Immediate Payment System (IMPS), Micro-ATMs, Aadhar Enabled Payment System (AEPS), National Unified USSD Platform (NUUP), Aadhar Payments Bridge System (APBS) etc. are used and have the potential to emerge as a game changer in terms of costs, convenience, and speed of reach.

How PMJDY differs from previous FI programmes

- (i) Household coverage instead of village(>2000);
- (ii) Both Rural and Urban areas are covered instead of only Rural Areas;
- (iii) Push to Pull based (account opening integrated with DBT, credit, insurance and pension);
- (iv) Strategy based on technology intensive project using Aadhar, e-KYC, fixed point interoperable & online bank Mitra and USSD facility;
- (v) Mission Mode Project with Rebranding and visibility to the programme;
- (vi) Involvement of State Govt. and District Administration with Central leadership leading the mission.

Positives of PMJDY

- (a) To the beneficiaries:** It has created a platform that-
 - Inculcates savings habit;
 - Provides Financial Literacy;
 - Provides formal credit facilities and freedom from the clutches of usurious money lending.

- (b) To the economy:**
 - improves & enables growth by bringing savings into financial system;
 - improves savings to GDP rate;
 - less cash in the economy by transforming cash transactions to digital transactions;
 - plugging leakages in public subsidies and welfare programs.

Achievements



Achievements under PMJDY

- 206 million accounts opened under PMJDY
 - 126 million accounts in rural areas and 80 million in urban areas.
 - 100 million (48.47%) accounts by men and 106.3 million (51.53%) by women.
- Deposits of Rs. 314 billion have been mobilized.
- 172.6 million RuPay Debit cards have been issued under PMJDY.
- Zero balance accounts reduced to 63.4 million (30.73%)
- Household Coverage: 99.99% households out of the 212.2 million households surveyed have been covered under PMJDY.
- Out of total requirement of 126,740 fixed location Bank Mitras in Sub Service Areas (SSAs), 125,956 Bank Mitras have been deployed by banks with on- line devices capable of e-KYC based account opening and interoperable payment facility.

Achievements under PMJDY

(contd.)

- Overdraft (OD) in PMJDY accounts: 2.993 million accounts have been sanctioned OD facility of which 1.412 million account-holders have availed this facility involving an amount of Rs. 1838 million
- Insurance Claims settled
- Aadhar has been seeded in 41.82% of account opened under PMJDY
- PMJDY has provided a platform for the newly launched social security schemes viz. Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), Atal Pension Yojana (APY) and Pradhan Mantri Mudra Yojana (PMMY)

Increasing the reach...

- Dark areas identification
Setting up VSATs: 784 uncovered areas
- Skilling Centers/Financial Literacy Centers

JAN DHAN SHIKSHA -I



Lessons | Ideas | Resources



SME Financing-Micro Units Development Refinance Agency (Mudra) Bank



- ▶ Prime Minister Modi launched the MUDRA Bank on April 8, 2015.
- ▶ MUDRA Bank set up with a capital allocation of \$3.2 billion and a credit guarantee fund of \$480 million.
- ▶ To provide formal access of financial facilities to Non - Corporate Small Business Sector (NCSBS).
- ▶ To promote & ensure bank finance to the unfunded segments of the economy such as small manufacturing units, shopkeepers, fruits / vegetable vendors, truck & taxi operators, food service units, repair shops, small industries, artisan's food processors, street vendors and many others.
- ▶ It will cater to the almost 51 million micro and small businesses who employ about 20% of the country's labor force in the manufacturing, trading, and services industries.

Advancing the game-changing JAM

- ▶ In India, the JAM trinity is laying the foundation for broader financial access. J (Jan Dhan) - Bank accounts, A - Aadhar universal ID (UID), M - Mobile phones.
- ▶ With 900m mobile phones, 941 million UIDs, and rapid expansion of bank accounts India is on its way to financial access beyond financial inclusion.
- ▶ The infrastructure is being created for extending the JAM agenda to other government programs and subsidies.
- ▶ Financial inclusion will also be furthered by the licensing of 11 payments banks and 10 small banks.



India saves \$2 billion
by paying cooking gas
subsidy digitally

#JanDhan

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The fuel subsidy programme, which is the world's largest cash transfer programme, by paying 151 million cooking gas consumers Rs. 290 billion directly into their bank accounts.

“Economic resources of the country should be utilized for the well-being of the poor. The change will commence from this point.”

Shri Narendra Modi,
Prime Minister of India

THANK YOU