

A Financial Inclusion Initiative for the Informal Workforce in India

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ABSTRACT

Due to absence of formal financial system people are forced to go to local money lender who charges much interest rate from poor people. The increase in use of informal financial services has left the economy in financial inequality. The initiative taken by the Government of India to cater the financial needs of the poor with ease to access and usage was through the concept of financial inclusion. To enhance the effectiveness of financial inclusion the GOI launched schemes such as Pradhan Mantri Jan Dhan Yojana (PMJDY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Atal Pension Yojna (APY) to reach out to its beneficiaries and thereby plugging leakages in the system. This article gives the highlights of these schemes and also focuses on how best these schemes have reached to the beneficiaries.

Keywords: Pradhan Mantri Suraksha Bima Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana, and Atal Pension Yojna, Informal work force.

INTRODUCTION

The original use of the term informal sector was to describe the livelihood of the individuals in developing countries and today it is used to describe the most entrepreneurial aspect of Urban Economy. The informal sector plays a major role in the economy as it provides job opportunities to the weak sections of the society and it forms a major portion of the economy (Kalyani, 2016). As per the ILO report it is said that, 80.9 per cent of India's employed population is earning livelihood in the informal economy. The informal workforce though roots are from the rural sectoring it is found that their share has increased to a large extent in the urban sector. Majority of rural and semi urban people are dependent on local money lender for fulfilling their financial needs. These money lender charges multiple times interest rate as compared to market price. This leads to a situation of financial non-equilibrium in the society. (Yogesh Verma, 2016). Financial inclusion is the road map to fight against the issue. Financial inclusion was first featured in 2005, introduced by K C Chakraborty, the chairman of Indian Bank with the view to help the poor and the disadvantaged to access easy credit.

FINANCIAL INCLUSION

Financial inclusion helps in the empowerment of reluctant society with the mission of making them self-sufficient and well informed to take better financial decisions. Financial inclusion takes into account the participation of vulnerable groups based on the extent of their access to financial services (Dr. C. Viswanatha Reddy, 2016). Financial Inclusion is defined as the process of ensuring access to appropriate financial products and services needed by vulnerable groups such as weaker sections and low income groups at an affordable cost in a fair and transparent manner by mainstream Institutional players (Chakrabarty, 2013).

STEPS TAKEN IN PAST TO CATER THE INFORMAL WORKFORCE FINANCIALLY

Several initiatives were taken by Indian government and they are:

1. Nationalization of banks, expansion of banks in rural and remote area, micro financing facility and opening of self help group.
2. In June 2006, Indian government constituted a committee on financial inclusion, under the chairmanship of Dr. C. Rangrajan to ensure 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 (Rangarajan Committee, 2008). Government decided to implement two recommendations on priority basis:
 - a. The First is to establish a Financial Inclusion Fund (FIF) with National Bank for Agriculture and Rural Development (NABARD) for meeting the cost of developmental and promotional interventions.

- b. Second is to establish a Financial Inclusion Technology Fund (FITF) to meet the costs of technology adoption.
- 3. To cover larger segment of poor people in the country RBI advised banks to open ‘No frill’ account with zero balance scheme.
- 4. In 2006, RBI opened the door of private group like NGO and self help groups to help banks to achieve financial inclusion.
- 5. RBI also launched the idea of Business Correspondents (BC) to reach inaccessible and remote area of the country .This idea was a great success as more than 1.4 lakh BC are functional on the behave of different banks serving different geographical area of country.
- 6. Expansion of banking network is done in recent past. Technology is also integrated to ensure transparent and speedy financial services.

SCHEMES FOR INFORMAL WORKFORCE

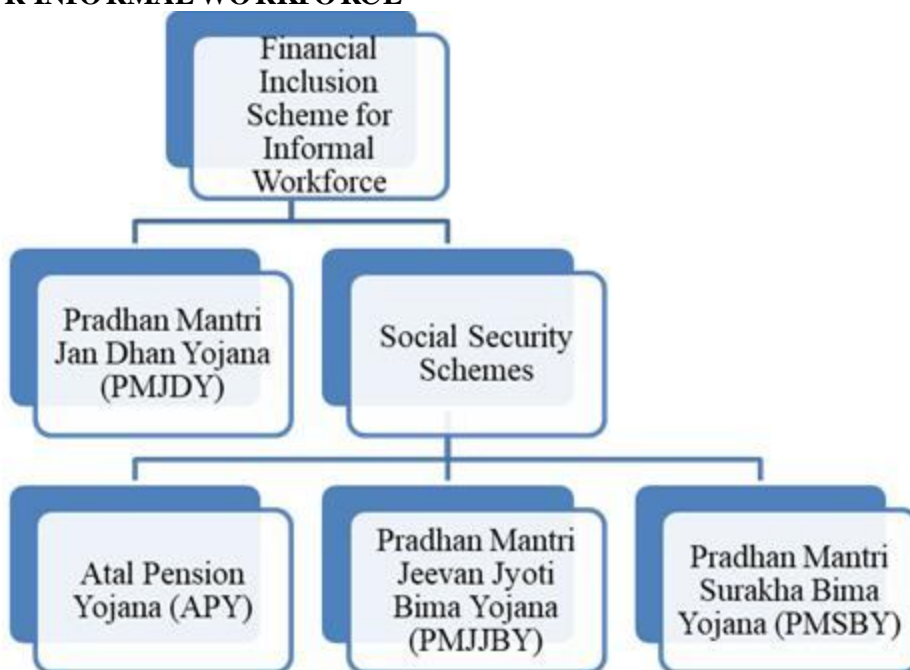


Figure 1: Schemes under Financial Inclusion for Informal Workforce

- **Pradhan Mantri Jan Dhan Yojana (PMJDY):** this scheme was launched on 15th August 2014, to ensure comprehensive financial inclusion of all the households in the country by providing universal access to banking facilities with at least one basic bank account to every household along with financial literacy, access to credit, insurance and pension facility. Under this, a person not having a savings account can open an account without the requirement of any minimum balance and, in case they self-certify that they do not have any of the officially valid documents required for opening a savings account, they may open a small account. Thus, PMJDY offers unbanked persons easy access to banking services and awareness about financial products through financial literacy programs. In addition, they receive a RuPay debit card, with inbuilt accident insurance cover of Rs. 2 lakh, and access to overdraft facility upon satisfactory operation of account or credit history of six months

- **Social Security Schemes**

In order to move towards creating a universal social security system for all Indians, especially the poor and the under-privileged, three ambitious Jan Suraksha Schemes or Social Security Schemes pertaining to Insurance and Pension Sector were announced by the Government in the Budget for 2015-16. The schemes were launched on 9th May, 2015, for providing life & accident risk insurance and social security at a very

affordable cost namely (a) Pradhan Mantri Suraksha Bima Yojana and (b) Pradhan Mantri Jeevan Jyoti Bima Yojana and (c) Atal Pension Yojana as per the department of financial services of India.

- (a) *Pradhan Mantri Suraksha Bima Yojana*: It was launched in the year 2015 on May 9th offering risk coverage worth Rs. 2 lakh for accidental death and full disability and Rs. 1 lakh for partial disability. The Scheme is available to people in the age group 18 to 70 years with a bank account who give their consent to join / enable auto-debit on or before 31st May for the coverage period 1st June to 31st May on an annual renewal basis.
- (b) *Pradhan Mantri Jeevan Jyoti Bima Yojana*: It was launched in the year 2015 on May 9th offering Risk coverage worth Rs. 2 lakh in case of death of the insured due to any reason. The PMJJBY is available to people in the age group of 18 to 50 years having a bank account who give their consent to join / enable auto-debit. Aadhar is the primary KYC for the bank account. The life cover of Rs. 2 lakh is for the one year period stretching from 1st June to 31st May and is renewable.
- (c) *Atal Pension Yojana*: APY was launched on 9th May, 2015 by the Prime Minister. APY is open to all saving bank/post office saving bank account holders in the age group of 18 to 40 years and the contributions differ, based on pension amount chosen. Subscribers would receive the guaranteed minimum monthly pension of Rs. 1,000 or Rs. 2,000 or Rs. 3,000 or Rs. 4,000 or Rs. 5,000 at the age of 60 years.

LITERATURE REVIEW

Joseph Massey (2010) said that, role of financial institutions in a developing country is crucial in promoting financial inclusion. The efforts of the government to promote financial inclusion and deepening can be further improved by the pro-activeness on the part of capital market players including financial institutions. Financial institutions have a very crucial and a wider role to play in development of financial inclusion.

Damodaran (2016) it is evident that the major part of the economy is into informal financing system and they end up paying huge rate of interest for their borrowings. This in turn results in unstable economic growth. The financial disequilibrium can be leveraged with help of financial inclusion and it helps the economy to grow at a faster pace.

Dr. Rajesh K, Yadav (2016) states that Pradhan Mantri Suraksha Bima Yojana (PMSBY) has been successful because of its flexibility throughout easy and clear process, easy claim process, highly reliable and economical term insurance service.

Valavan (2015) The study talks about the combo scheme of Pradhan Mantri Suraksha Bima (PMSBY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) to address longevity risks among workers in the unorganised sector and to encourage workers in the unorganised sector to voluntarily save for their retirement. It has been successful so far as the banks and the insurance companies are transparent in carrying out the scheme in reaching the needy.

Singhvi (2016) a pension scheme crafted to benefit the informal workforce to live worry free about illness, accidents and pension in old age is Atal pension yojana (APY). The study states that it has benefited the target group but still faces a back stroke due to lack of easy entry and exit policy.

Vidyashree DV (2015) states that the government of India has introduced the social security schemes for the informal workforce i.e., PMJJBY, PMSBY and APY to cater the financial needs at the time of illness or old age. There has been a progress in the enrolment but still lack innovation in the products offered.

Samant, Singh, & Dwivedi (2017) the integration of Jan Dhan, Mobile and Aadhaar is called as 'JAM Trinity'. This was an initiative to prevent the leakages in the payment system. It also paved way to Direct Benefit Transfer (DBT). The success of JAM resides in expansion of banking services, adoption of technology, increase in accounts usage by the beneficiary, seeding of Aadhaar numbers etc.

Nimbrayan, Tanwar, & Tripathi (2018) Financial inclusion is an innovative idea to empower the underprivileged. The launch of Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme has encouraged the people of India to follow the formal financial system through innovative modes of access like use of

technology to ease the various banking transactions and the banking facilities made easily accessible to the end users. It has made way to universal access to formal financing.

NEED FOR THE STUDY

The schemes under financial inclusion for informal workforce PMSBY, PMJJBY and APY with PMJDY are all necessitating change in the country, removing all kind of economic inequalities and bringing overall inclusive growth and development of all people at large. These schemes have their own individual contribution in bringing the informal workforce to follow formal financing(Vidyashree DV, 2015). Every scheme may not get good response at the very first instance but will need some time to enjoy long run success. In this scenario, it is necessary to study how these schemes are performing and reaching the needy.

OBJECTIVES

- To understand the concept of APY, PMJJBY & PMBSY in meeting financial inclusion
- To study the growth of schemes for informal workforce.

METHODOLOGY

The study is descriptive in nature and is based on secondary sources of data such as Department of financial services reports, websites, journals, books, magazines etc.

ANALYSIS AND INTERPRETATION

1. Pradhan Mantri Jan Dhan Yojana(PMJDY)

In August, 2014 to provide universal banking services for every unbaked household, based on the guiding principles of banking the unbanked, securing the unsecured, funding the unfunded and serving unserved and underserved areas.

- Access to banking: PMJDY aimed at providing banking service points throughout rural India by mapping over 6 lakh villages into 1.6 lakh Sub Service Areas (SSAs). Each SSA typically comprised of 1,000-1,500 households. Out of 1.6 lakh SSAs, 1.3 lakh SSAs are covered through interoperable, online BCs and remaining 30,000 are covered through bank branches.
- RuPay Debit cards: A total of 27.91 crore RuPay debit cards have been issued till 30.03.2019 to PMJDY account-holders. Apart from banking convenience, these cards come with an inbuilt accident insurance cover of Rs 2 lakh. As on 30.03.2019, a total 4,657 accidental claims under this RuPay card linked insurance coverage have been paid.
- Jan Dhan-Aadhaar-Mobile (JAM): This infrastructure pipeline is providing the necessary backbone for DBT flows, adoption of social security/pension schemes, facilitating credit flows and promoting digital payments through use of Rupay Cards and thereby accelerating the pace of attaining the goal of a secured, insured, digitalized and a financially empowered society. Around 8 core PMJDY accounts are receiving Direct Benefit Transfers (DBT's) credits under various schemes of the Government.

PERFORMANCE OF PMJDY:

Table 1: The performance of PMJDY in terms of accounts opened, deposit balance and average deposit balance over the time is tabulated as under:

S.No	Item	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19
1	No. of PMJDY accounts (in Crore)	14.72	21.43	28.17	31.44	35.27
2	Deposit in PMJDY accounts (in Rs. Crore)	15,670	35,672	62,972	78,494	96,107
3	Average Deposit per PMJDY account (in Rs.)	1,065	1,665	2,235	2497	2,725
4	Number of RuPay debit cards issued to PMJDY account-holders (in Crore)	13.14	17.75	21.99	23.65	27.91

Source: Department of financial services

It may be observed from the above table that on major parameters, consistent progress has been observed under PMJDY over the years. Since its inception, over 35 crore new accounts have been opened and over Rs.

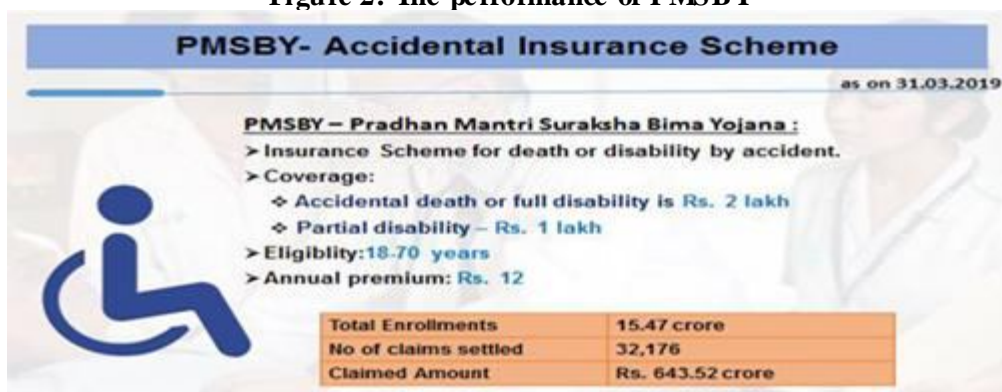
96,000 crore has been deposited by the newly banked people in the formal banking system. The number of operative PMJDY accounts has increased from 17.01 crore on March '17 to 27.54 crore on March '19. There are 53% women Jan-Dhan account holders and 59% Jan-Dhan accounts are in rural and semi-urban areas. In this way, India is moving towards a cashless economy thereby eliminating the corruption and strengthening the e-governance policy of the government.

2. SOCIAL SECURITY SCHEMES

• Pradhan Mantri Suraksha Bima Yojana (PMSBY)

As on 31st March 2019, the gross enrolment by banks, subject to verification of eligibility criteria, is about 15.47 crore under PMSBY and 32,176 claims of Rs. 643.52 Crore have been disbursed.

Figure 2: The performance of PMSBY



Source: Department of financial services

• Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)

As on 31st March 2019, the gross enrolment by banks, subject to verification of eligibility criteria, is about 5.91 crore people under PMJJBY and 1,35,212 claims of Rs. 2704.24 Crore have been disbursed.

Figure 3: The performance of PMJJBY

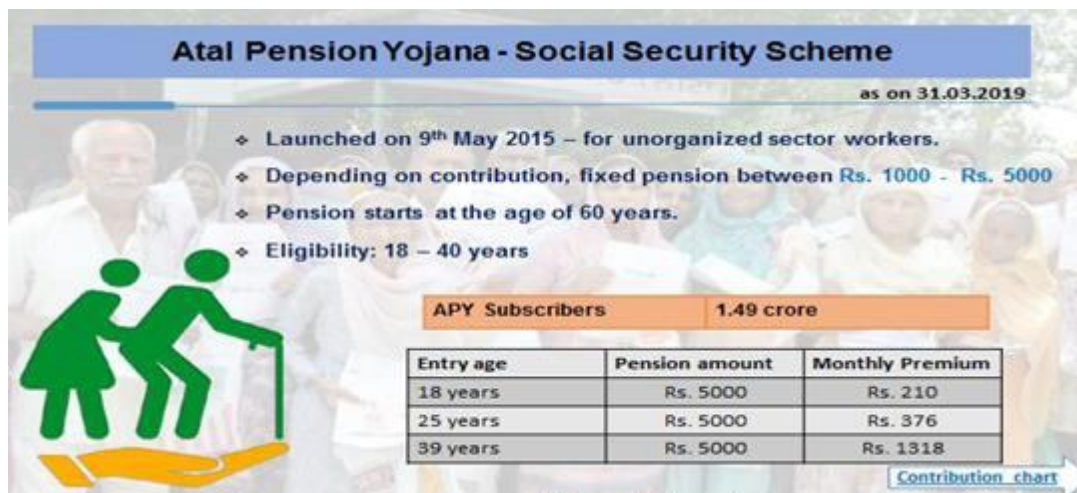


Source: Department of financial services

• Atal Pension Yojana

As on 31st March 2019, the number of subscribers is 149.53 lakh with Asset under Management (AUM) of Rs. 6860.30 crore.

Figure 3: The performance of APY



Source: Department of financial services

CONCLUSION

Though the RBI and GoI have initiated many intensive measures in support of financial inclusion, the results are not satisfactory. The major challenges causing for slow progress in financial inclusion are large number of dormant bank accounts, shallow penetration of insurance and social security benefits, inefficient pension and insurance services to the poor working in unorganised sector. Lack of ease entry and exit procedure for the above mentioned schemes, lack of knowledge leaves financial inclusion less effective as a whole. Keeping in view of the limitations of financial inclusion, it would be appropriate to offer some viable solutions to improve the stability of financial inclusion.

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