

Financial Inclusion: A Case Study of Present Scenario of Branch Penetration and Insurance Penetration

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Abstract: Financial sector acts as a multiplier and mediator for economic stability. The growth of Financial Sector is very important for the development of nation. It can be achieved by providing the financial services to all the citizens of India. Central Government, Ministry of finance and RBI Making efforts towards the inclusive growth of the economy since last five years. The Present study is mainly based on the overview on the status of financial inclusion in India in past few years. The study highlights the growth of banking outlets and penetration in various social security schemes offered by the Government of India in the past few years. For analysing such facts and figures, various reports published by NABARD, RBI, IRDA and Finance ministry have been studied. After analysing facts and figures, It can be concluded that now a days, Financial inclusion is playing an important role in achieving the social-economic development of the lower income group and provide banking services to major part of the population of India. However, to achieve the desired level of outcomes and inclusive growth of different types of class of people, Government is required to take different initiatives to make them contributory towards the growth of the economy.

Keywords: Government of India, Financial Inclusion, Socio-economic development

1. Introduction

The access and usage of a varied range of affordable and quality financial services in a simple yet controlled manner by the low income sections of society is called financial Inclusion. It is a process by which financial services are made accessible to all sections of the population. It is a conscious attempt to bring the Un-banked people into banking.

In order to assess the performance of the public sector banks the Finance Minister of India has introduced Financial Inclusion Index based on two criteria, namely, the number of additional branches covered and the number of new no-frill account opened (Government of India, 2011).

There are two different aspects of Financial Inclusion are Financial Literacy and Financial Inclusion. Financial Literacy stimulates the demand side, making people aware of what they can demand, whereby, Financial Inclusion acts from supply side providing the financial market/services what people demand. The only means of saving, in absence of bank account is formal institution, was through physical assets like cash, Jewellery and chit funds.

The meaning and scope of financial inclusion can be more summarised by the figure shown below:



2. Objectives of the Study

Through this paper an attempt is made towards the efforts made by Government to achieve financial inclusion and To know the current status of the financial inclusion in India.

3. Research Methodology

The study is descriptive in nature. Different news articles, books and authorized internet sources were used which were enumerated and recorded. Available secondary data from reports issued by Reserve Bank of India, Ministry of Finance and World Bank were extensively used for the study. Simple percentage and ratio analysis is used to describe the secondary data in order to show the trend and

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status of financial inclusion over past few years. Various graphs have been used to describe the available data to make it understandable.

4. Literature Review

In 2013, Radhika Dixit and Munmun Ghosh revealed that It needs to be understood by the state that in order to bring orderly growth, order needs to be developed with regard to inclusive finance. The percentage of financial inclusion in the different states of the country varies differently. Financial literacy and level of awareness continue to remain an issue with regard to usage of financial services/products. It calls for coordination of all the stakeholders like sectoral regulators, banks, governments, civil societies, NGOs, etc. to achieve the objective of financial inclusion.

In 2013, Anupama Sharma and Sumita Kukreja stated that Even today the fact remains that nearly half of the Indian population doesn't have access to formal financial services and are largely dependent on money lenders. Mere opening of no-frill bank accounts is not the purpose or the end of financial inclusion while formal financial institutions must gain the trust and goodwill of the poor through developing strong linkages with community-based financial ventures and cooperative.

In 2017, Nirvikar Singh laid out some basic concepts surrounding financial inclusion, including access to banking, digital payments and financial literacy, as well as markets for health insurance, crop insurance, agricultural credit, small firm finance, and microcredit/ microfinance. In the present study it is concluded that Collaborations and coordination between policymakers, practitioners and researchers can be vital in achieving financial inclusion in multiple dimensions, making sure that this is done

efficiently, and connecting financial inclusion to positive outcomes in health, education, productivity and employment.

In 2018, Paramjit Sujana and Chhavi kiran suggested that though financial inclusion initiatives are in progressive stage, some segment of the nation is lagging behind. The current study has focused mainly on one aspect of financial inclusion: branch penetration. More number of people has started using ATMs, Immediate Payment Service (IMPS) and mobile banking. In a nutshell it can be said that India is at a fast pace towards achieving financial inclusion.

Financial Inclusion in India:

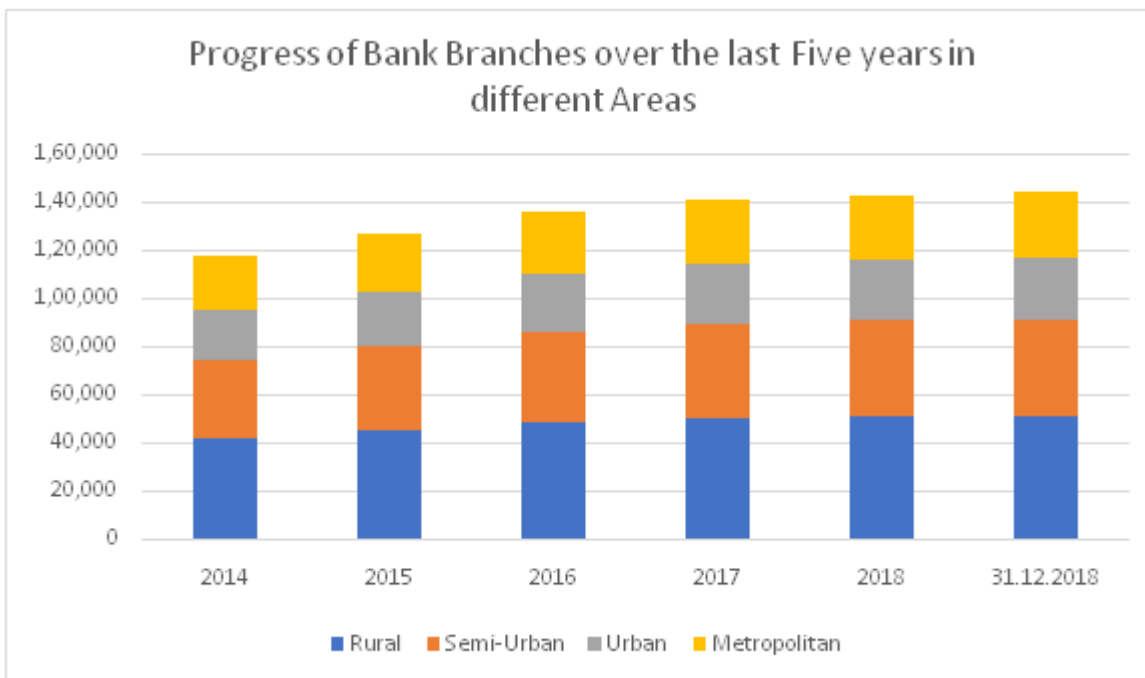
Everyone should be facilitated with the banking services for achieving the inclusive growth of each sector of the economy. Since 2005, concerted efforts have been made by Reserve Bank of India (RBI) and National Bank for Agriculture and Rural Development (NABARD) to extend financial inclusion across India. Around 80 percent population have access to bank accounts in 2018 in India as compared to the 53 percent in 2013. Out of bank accounts opened during 2014 to 2017, the number of Jan Dhan Accounts opened in India is about 28.17 crore, constituting almost 55 percent of the accounts opened globally during this period.

The Government initiated the National Mission for Financial Inclusion (NMFII), namely, Pradhan Mantri Jan Dhan Yojana (PMJDY) in August, 2014 to provide universal banking services for every unbanked household, based on the guiding principles of banking the unbanked, securing the unsecured, funding the unfunded and serving unserved and underserved areas.

Table 1: Table showing the number of bank branches of Scheduled Commercial Banks:

AS ON	RURAL	SEMIURBAN	URBAN	METROPOLITAN	TOTAL
31.03.2014	41,862	32,590	20,828	22,544	1,17,824
31.03.2015	45,118	34,963	22,354	24,058	1,26,493
31.03.2016	48,244	37,647	23,944	25,610	1,35,445
31.03.2017	49,820	39,059	24,977	26,655	1,40,511
31.03.2018	50,735	39,694	25,377	26,887	1,42,693
31.12.2018	51,030	40,166	25,655	27,178	1,43,999

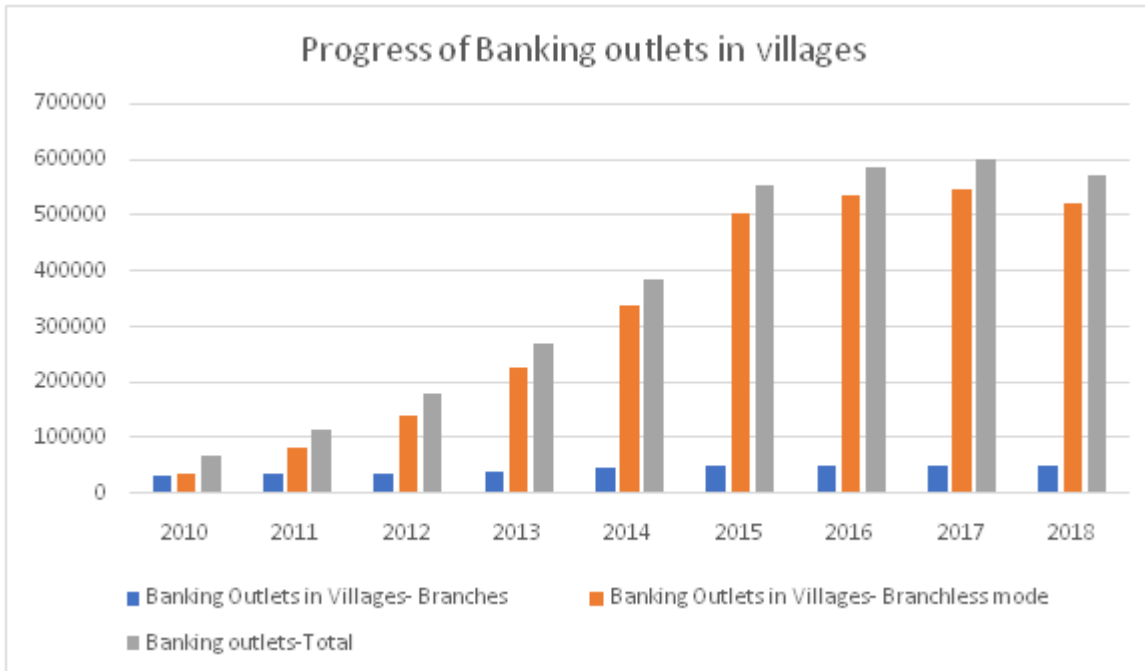
(Source: Finance ministry, Government of India)



From the above chart, we can observe that In last 5 years, Bank Account opening rate is higher in Rural and Semi-urban Areas than the Urban and Metropolitan Areas.

Progress of Banking outlets in Rural India:

As we have seen above, Bank branches in Rural and Semi-urban areas is increasing day by day considering the needs of Rural households. Now a days, Government and Banks are trying to provide banking services to every citizen of India so, No. of branches and ATMs are increasing rapidly. It can be summarised by the chart prepared below:



(Source: Reserve Bank of India)

Performance of PMJDY:

women accounts constitute 53% of the total Jan Dhan accounts as on 30.3.2019.

Rapid financial inclusion of women:

Out of total savings accounts, there were overall 27% female accounts in March 2014. However, under PMJDY,

Rapid growth in deposits in the PMJDY accounts: As against an average balance of Rs. 1,065 in accounts opened under PMJDY in March 2015, the average balance

has grown to Rs. 2,725 as on 30.3.2019 with an overall balance in PMJDY accounts of Rs 96,107 crore.

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.

Overdraft facility for PMJDY account holders: An overdraft facility of up to Rs 5,000 (since enhanced to INR 10,000) after satisfactory operation in the account for six months is available to provide hassle free credit to the beneficiaries under PMJDY.

Pradhan Mantri Suraksha Bima Yojana (PMSBY):

The Scheme is available to people in the age group 18 to 70 years with a bank / Post office 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. Aadhar would be the primary KYC for the bank account. The risk coverage under the scheme is Rs. 2 lakh for accidental death and full disability and Rs. 1 lakh for partial disability. The premium of Rs. 12 per annum is to be deducted from the account holder's bank / Post office account through 'auto-debit' facility in one instalment. The scheme is being offered by Public Sector General Insurance Companies or any other General Insurance Company who are offering the product on similar terms with necessary approvals and tie up with Banks and Post Offices for this purpose. 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.

Life Insurance cover under Pradhan Mantri Jan Dhan Yojana (PMJDY):

For availing life insurance cover of Rs.30,000/- under this scheme, a person should be between 18 to 59 years of age and he/she should have been enrolled under PMJDY between 15.08.2014 to 31.01.2015 (subject to Govt. guidelines and eligibility criteria provided). Specified periods. The scheme is being implemented through Life Insurance Corporation of India (LIC). During the financial year 2017-2018, an amount of Rs. 311.10 lakhs has been paid towards total number of 1037 claims.

5. Findings and Conclusion

The study has focused mainly on two aspects of financial inclusion: Branch penetration and Insurance penetration. It is found that Government is taking concentric efforts towards providing Banking and Insurance facilities to the rural areas and low income households. The overview of status of financial inclusion can be studied under numerous other financial indicators like credit deposit ratio, technology enabled services etc. Rapidly developing technology has also played a vital role in bridging the inclusive growth of the nation. More number of people

have started using ATMs, Immediate Payment Service (IMPS) and mobile banking. It can be said that India is at a fast pace towards achieving financial inclusion and this can be speeded up by collaborative efforts of Government, Reserve Bank of India and Citizens of the country.

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