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Assessment of Financial Inclusion: Indian Economic Growth and Micro Insurance

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ABSTRACT- The goal of this study is to look at the recently announced plans for financial inclusion, with a focus on how they might help groups with low incomes. Design, methodology, and approach: This study included microfinance and micro insurance programmes to learn about their effects on a sample of 100 people from all walks of life in the Agra district, India. The results show that people have a good idea of what has been done and how much better off they are as a result of the various financial inclusion programmes. The populace is making use of microfinance and micro insurance to engage in agricultural pursuits, animal husbandry, and the establishment of their own businesses. All types of people support the GOI's plan to use MF and MI to revive India's sagging economy. This study's novel findings will aid in the spread of banking services across economically and socially disadvantaged communities, thus fostering financial inclusion and inclusive growth. Increased access to banking by rural residents, spurred by lower fees, will hasten the spread of inclusive funding and development. As this study shows, financial institutions should work to create synergies with technology providers in order to reach the general public and help as many poor people as possible. This would also help them deal with low-value, high-volume transactions in an efficient and effective way.

KEYWORDS- Micro Insurance, PMJDY, Financial Inclusion, PMSBY, Insurance Scheme.

I. INTRODUCTION

All efforts to ensure that people with lower incomes have easy and affordable access to financial services fall under the umbrella term "financial inclusion." Financial inclusion has been a game-changer in recent years, helping both developed and developing nations achieve multi-dimensional macroeconomic stability, balanced and equitable economic growth, job creation, poverty alleviation, and economic equality. In addition, financial inclusion is a step-by-step and supplementary method for achieving the United Nations' Millennium Development Goals (Chibba 2009) 1.Through easy access, accountability, and the use of "newly banked" financial resources mandated by law, financial inclusion fosters social inclusion. The primary financial resources of investing, borrowing, paying, and protecting have a disproportionately positive impact on historically disadvantaged communities, vulnerable groups like rural dwellers, women, and low-income families (World Bank 2014) 2. As a result of income inequality and market fragmentation in developed nations, millions of people who pose a threat to the stability of banks, investments, and personal fortunes are now part of the financial system. The goal of financial inclusion is to level the playing field so that all households and businesses have access to the money they need to meet their spending and demand obligations, thereby boosting economic expansion. In addition, financial inclusion promotes inclusive growth because it enables economists to take part in participatory long-term investment programmers; to promote useful distributions of industrial capacity; to deal with unforeseen short-term shocks; to significantly improve financial management; and to lessen the often exploitative unofficial acidity.

Despite rapid progress over the past few decades in reducing poverty and boosting growth, a sizable portion of the world's most impoverished populations is still struggling to meet basic needs in developing regions, especially in Asia, Africa, and Latin America and the Caribbean. Due to regional and national factors, these nations continue to implement disparate policies to combat global poverty. In 2016, the World Bank reported that 50.7% of the world's poorest people call sub-Saharan Africa home. Some 42.7% of the world's poor live in Asia. At the same time, the country has a proven record of reducing poverty significantly due to the rapid expansion of its major emerging markets. One of the poorest regions in the globe is Latin America and the Caribbean (4.4 per cent).

Persistent high economic disparity is viewed as a fundamental hindrance to sustainable progress and so inhibits the elimination of poverty in emerging countries. The World Bank has set goals to reduce income inequality around the world and help end global poverty by the year 2030, with a particular focus on helping the world's poorest 40 percent.

Then, the issue of financial inclusion, which aims to halt the cycle of poverty and economic inequality, climbed to the top of the international policy agenda. Since real-world financial frameworks are so exclusive, the increased emphasis on financial inclusion is a reflection of the power of this concept to revolutionize inclusive development. For the World Bank, financial inclusion is a top priority because of the many ramifications it has. The United Nations member states' development plan now includes financial inclusion as a structured goal and a major aim. It's true that a lot of progress has been made in this area, but inconsistent macro-level findings at the national level continue to limit the macroeconomic impact of financial inclusion research. Many studies have looked at what factors lead to financial inclusion, what kinds of financial inclusion programs work best for individuals and nations, and what kinds of client financial services are most effective. Researchers in this area have also found that financial inclusion has a positive impact on the economy, financial stability, and the empowerment of women, the alleviation of poverty, and the narrowing of income gaps. The greater macroeconomic repercussions of financial inclusion can be considered without these results. The purpose of this research is to dig deeper into the present literature on the subject of the connection between lack of access to financial services, poverty, and income disparity. As a result, this research addresses the following questions: First, what effect has newly announced initiatives for financial inclusion had, especially on the resurgence of the economically disadvantaged? In a second step, we must learn to link financial inclusion to overall economic growth. Lastly, financial inclusion can help lessen poverty and inequality in developing countries in some ways that are more important than in others.

II. OBJECTIVES

- Examining the current state of financial inclusion in India's economy with the relationship between financial inclusion and inclusive growth
- The goal of this study is to assess the efficacy of various microfinance and microinsurance programs in promoting financial inclusion.

III. PLANS FOR FINANCIAL INCLUSION IN INDIA

In order to broaden access to financial services, the government of India has implemented a number of unique initiatives. Those who are less fortunate in society are the intended beneficiaries of these programs. After extensive preparation and analysis by multiple financial professionals and officials, the government created programs with financial inclusion in mind. The following plans were introduced over the course of several years:

- Pradhan Mantri Jan Dhan Yojana (PMJDY)
- Atal Pension Yojana (APY)
- Pradhan Mantri Vaya Vandana Yojana
- Stand Up India Scheme
- Pradhan Mantri Mudra Yojana
- Pradhan Mantri Suraksha Bima Yojana (PMSBY)
- Sukanya Samriddhi Yojana
- Jeevan Suraksha Bandhan Yojana
- Credit Enhancement Guarantee Scheme (CEGS) for Scheduled Castes (SCs)
- Venture Capital Fund for Scheduled Castes under the Social Sector Initiatives
- Varishtha Pension Bima Yojana (VPBY)

IV. DESIGN AND METHOD OF STUDY

Primary and secondary sources were used in the analysis. Primary information has been gathered mostly through the use of questionnaires and other schedules. Researchers have included questions about microfinance, microinsurance, and socioeconomic security as part of this questionnaire on financial inclusion for inclusive growth. Also, the researcher has had in-depth conversations about this topic with local government officials, Gram Pradhans, bankers, insurance agents, academics, and non-governmental organization (NGO) representatives.
Books (Financial Inclusion, by Sameer Kochhar, Academic Foundation, 2009; Towards Financial Inclusion in India, by KG Karmakar, G D Banerjee, and N P Mohapatra, Sage Publication); Inclusive Growth, by N. A. Mujumdar, Academic Foundation) and newspapers (The Times of India, Hindustan Times, The Economic Times) as well as reports (the Reserve Bank of India bulletin and annual reports of the Reserve Bank of India, the MinistryMany government initiatives are covered in this research. Included are the Microfinance Jan Dhan Yojana, the Healthcare Prime Minister Jeevan Jyoti Yojana, and the Microinsurance Prime Minister Suraksha Bima Yojana. From the time these programs started until January 31, 2020, all information about them is included. The research covers the eight-year span from 2010 to 2018 with regards to GOI's financial inclusion metrics. Descriptive statistics have been applied to the data. Financial inclusion and national growth have been linked using mean and chi-square tests.

V. DATA ANALYSIS

The analysis in this work is divided into two parts; in the first, secondary data is analyzed to look back at the expansion of chosen schemes across the study period. In the second part, the questionnaire data are used to test the hypotheses that were made in the first part.

A. Financial Inclusion and Growth

Economic and socially disadvantaged groups can benefit from financial inclusion, a tool of inclusive growth. In order to help economically disadvantaged communities, financial inclusion programs implement specific economic strategies. In this way, India's financial system tries to bring the poor into the country's economic system.

Table 1: Current Status of Financial Inclusion in India Detail Progress of Banks Including RRB's

PARTICULARS	Year ended 2010	Year ended 2011	Year ended 2012	Year ended 2013	Year ended 2014	Year ended 2015	Year ended 2016	Year ended 2017	Year ended 2018	CAGR (%)
1. Banking Outlets in Villages										
a) Branches	33,378	34,811	37,471	40,837	46,126	49571	51,830	50,860	50,805	5.39
b) Villages covered by BC's*	34,174	80,802	141,136	221,341	337,678	504,142	531,229	543,472	518,742	40.49
c)Total	67,552	115,613	178,607	262,178	383,804	553,713	583,059	594,332	569,547	30.54
Urban Locations through BCs	447	3771	5891	27143	60730	96,847	102,552	102,865	142,959	105.64
2. Basic Saving Bank Deposit Bank A/c- Branches										
a) No. in Millions	60.19	73.13	81.2	100.8	126	210	238	254	247	19.30
b) Amt. in Billions	44.33	57.89	109.87	164.69	273.3	365	474	691	731	41.96
3. Basic Saving Bank Deposit Bank A/c- BCs										
a) No. in Millions	13.27	31.63	57.3	81.27	116.9	188	231	280	289	46.98
b) Amt. in Billions	10.69	18.23	10.54	18.22	39	75	164	285	391	56.82
4. OD Facility availed in BSBDA, s Account										
a) No. in Millions	0.18	0.61	2.71	3.92	5.9	8	9	9	6	55.01
b) Amt. in Billions	0.1	0.26	1.08	1.55	16	20	29	17	4	58.58
KCCs (No. in Millions)	24.31	27.11	30.24	33.79	39.9	43	47	46	46	8.30

The numbers in the preceding table suggest that the rate at which new bank accounts are being established has increased. Despite this, only 69% of individuals in India had access to formal bank accounts in 2017, and just 51% borrowed money from financial institutions, as reported by the World Bank's Global Findex 2017 study. Consequently, this high percentage points to the need for financial inclusion in achieving long-term financial security and social cohesion.

So, the bottom of the pyramid has a long way to go before it can join the mainstream of inclusive growth and financial inclusion in our society.

Pradhan Mantri National Mission for Financial Inclusion "Jan Dhan Yojana" (PMJDY). The National Mission for Financial Inclusion unveiled a grand plan to help economically disadvantaged communities on August 15th, 2014, and they called it the Pradhan Mantri Jan Dhan Yojana (PMJDY).

Table 2: Detail of PMJDY as on 02/09/2020

Name of Banks & Types	# of account holders at rural/semi-urban bank	# of account holders at metro-center bank	# of Female a/c holders in	Number of Total Beneficiaries	Amount Deposited in PMJDY A/c (In Crore)	# of Rupay Debit Cards issued
Rural-Urban						
PSB	18.88	13.25	17.58	32.13	100505.84	25.53
RRBs	6.22	0.91	4.11	7.12	25419.74	3.18
Pvt. Banks	0.70	0.57	0.68	1.26	4003.70	1.15
Grand Total (At National Level)	25.80	14.72	22.37	40.52	129929.28	29.85

Table 2 clearly shows a dramatic increase in PMJDY recipients. In urban, semi-urban, and rural areas, public sector banks are the clear favorites.

Table 3: Number of Accounts Opened and Deposits

Year/Progress	No. of BSBD Accounts	% of change over the previous Year	Total Deposit in BSBD Accounts	% of Change over the orevious Year	Average Deposit Per BSBD Account	% of change over the previous year
As on 31.3.2015	14.72		15,670		1,065	
As on 31.3.2016	21.43	46%	35,672	128%	1,665	56%
As on 31.3.2017	28.17	31%	62,972	77%	2,235	34%
As on 31.3.2018	31.44	12%	78,494	25%	2497	12%
As on 31.3.2019	35.27	12%	96,107	22%	2,725	9%
As on 31.1.2020	37.83	7%	110161	15%	2912	7%
CAGR (%)	21%		48%		22%	

The number of people with a BSBD (Basic Savings Bank deposit) account rose by almost 46% in 2016, as seen in Table 3. The government's decision to allocate more resources toward promoting the PMJDY's financial education and literacy initiatives is encouraging. Extending back over the past five years, it has demonstrated cumulative growth of 21%. As a result, PMJDY has a considerable impact on the spread of financial security. Deposits into Basic Savings Bank deposit (BSBD) accounts opened as part of the PMJDY saw consistent year-over-year growth in 2017 and 2018, but 2018 saw a sharp decline in deposits.

B. Funding for Micro-Insurance Programs through PMJDY

It was announced in the budget for 2015–16 that three insurance and pension schemes would be implemented to help the poor and economically disadvantaged. There are two Pradhan Mantri Jan Dhan Yojana (PMJDY) insurance programs. The Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJBY) and the Pradhan Mantri Suraksha Bima Yojana (PMSBY) were launched on May 9, 2015, to provide affordable protection against the risks of death and injury.

C. Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)

In the Pradhan Mantri Jeevan Jyoti Bima Yojana, all bank account holders between the ages of 18 and 50 are automatically enrolled in a life insurance plan that provides coverage in the event of their untimely death, regardless of the cause.

Under the terms of an agreement with a bank, LIC serves as the scheme's primary partner and administrator, alongside a number of private insurance providers. The first year of coverage, from June 1, 2015, to May 31, 2016, will be automatically renewed every year on June 1 for the next year through May 31.

Table 4: Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)

Financial year	Total No. of persons Enrolled	% of change over the previous year	Total No. of claims Received	% of change over the previous year	Total No. of Claims Disbursed	% of change over the previous year
2016-17	3.1		62,166		59,118	
2017-18	5.33	72%	98,163	58%	89,708	52%
2018-19	5.92	11%	1,45,763	48%	1,35,212	51%
2019-20	6.96	18%	1,90,175	30%	1,78,189	32%
2020-21 (as on date)	7.42	7%	2,04,354	7%	1,88,361	6%
CAGR	44%		18.42%		17.96%	

In Table 4, we can see that the total number of enrolled students keeps growing. But the year-over-year percentage increase is not statistically significant. According to table 4, the sum of money the government has paid out in response to claims is likewise on the rise. It demonstrates that the government has significantly increased the amount of money it gives out to the general public.

D. Pradhan Mantri Suraksha Bima Yojana (PMSBY)

Individuals between the ages of 18 and 70 can sign up for this program for just Rs. 12/-per year, and in exchange they will receive a total of Rs. 2 lakh in death or disability coverage for the duration of the program.

Table 5: Pradhan Mantri Suraksha Bima Yojana (PMSBY) Accidental Insurance Scheme

Financial year	Total No. of persons Enrolled	% of Change over the previous year	Total No. of claims Received	% of Change over the previous year	Total No. of Claims Disbursed	% of Change over the previous year
2016-17	9.95		12,534		9,403	
2017-18	13.48	35%	21,137	69%	16,430	75%
2018-19	15.47	15%	40,749	93%	32,176	96%
2019-20	18.54	20%	50,328	24%	39,969	24%
2020-21 (as on date)	19.68	6%	53,609	7%	41,043	3%
CAGR	77%	13.24			12.34%	

In the table below, you can see how the government's 2015 PMJDY micro insurance yojanas are doing right now. One such government program is the Pradhan Mantri Suraksha BimaYojana, which has as its stated goal the betterment of rural residents' standard of living. As seen in Table 5, it is not just about the amount of money but also how much of it is used to aid those in need. Enrollment has increased throughout the years thanks to a number of factors, including improved education and accessibility to medical care.

VI. RESULTS

Indicators of financial inclusion are shown to be highly correlated with economic growth in India, as discovered by the study. These findings corroborate those of Julie (2013), who found that the financial sector is critical to economic expansion.

The results from the initial study on how financial inclusion affects poverty are shown in Table The compound annual growth rate for BC-insured branches and villages between 2010 and 2018 is displayed in Rows (a) and (b) of the following table. Based on data in column (a), we can see that the number of financial inclusion-related branch locations in rural areas has increased at a compound annual growth rate of 5.39 percent from 2003 to 2015. Based on raw (b), the number of BC-covered communities has increased by 40.49 percent.

Two and three from the second row The bank has been able to sustain its current clientele because it keeps them informed. Scientists have found that Basic Savings Bank Deposit Accounts at Branches grow by 19.30% CAGR and Basic Savings Bank Deposit Accounts at BC grow by 46.98% CAGR. Deposits at banks are clearly on the rise, which bodes well. This is evidence that the bank's customer service has kept pace with its expansion.

From 2010 to 2018, the number of KCCs increased by 24.31 million, and the number of OD facilities used by BSBDA rose by 55.01%, as shown in Row 4 of Table 1. This demonstrates an acceleration in the growth of OD facilities relative to other industries. Because of their superior efficiency, cost-effectiveness, and economy, OD facilities have been rapidly expanding.

From Table 2, we can see that researchers have shown PMJDY recipients lagging well behind private sector institutions such as banks. There are 18.88 crore people who benefit from the public sector bank's rural and semi-urban central bank branches, but only 0.70 crore people benefit from the private sector. According to the findings, there appears to be a sizable distinction between the two categories of financial institutions. This gap can be largely attributed to a lack of transparency in their financial accounts. It is difficult for people to appreciate the benefits of PMJDY since the government is unable to provide them with adequate information on financial inclusion. As can be seen in Table 2, as of 14/08/2019, the total number of Rupay debit cards issued by public sector banks to beneficiaries was 25,53 crores, whereas the total number issued by private sector banks was only 1,15 crores. There are currently 54.05 crores in the PMJDY a/c. Direct bank-to-beneficiary transfers can be used to pay a wide range of bills, loans, insurance, tuition, and other costs.

As shown in Table 3, Basic Saving Bank Deposit (BSBD) accounts increased by about 46% in 2016 as shown in Table 3 for PMJDY. Good news: the government is increasing its commitment to improving PMJDY students' knowledge of the financial sector. Over the last five years, the economy has grown by 21%.As a result, PMJDY is a major factor in expanding access to banking services. In the first two years of the PMJDY (2017 and 2018), deposits to the BSBD account rose steadily; this year, however, they have dropped significantly. Clearly, the government is investing more than ever before in teaching young people about money management. In addition to free healthcare, PMJDY also offers free financial services to all inhabitants. The government is working with the private sector to increase people's access to credit and other financial services. Also, the government is putting in place a new plan called "zero tolerance" to make sure that everyone can use reliable financial services.

According to Table 4, the number of PMJJBY enrollees has been increasing every year. According to the government's annual reports, the percentage increase is thus not very significant. The data demonstrates a marked increase in the amount of money allocated by the government to the care of its citizens. Since the government spends so much on the Pradhan Mantri Jeevan Jyoti Bima yojana to cover its life insurance and medical costs, people who do not qualify for life insurance have also been afforded additional tax advantages. This shows how much time and money the government spends to make sure that its citizens have good material things.

Figures from Table 5 demonstrate that while enrollment in the Pradhan Mantri Suraksha Bima yojana increased by 35%

in the 2017–18 fiscal year, that rate has now dropped to 6% annually. In the past three years, there has been a falling trend in the total number of claims filed and paid out. To implement such a plan, however, we must first address a number of issues. First, the government should recognize that individuals have varying requirements and priorities when it comes to the kinds of financial services they use. Second, the government should ensure that the schemes are not too sophisticated for it to comprehend. The third step is for the government to calculate the potential savings and the associated costs. The government also works to make sure that everyone is aware of the benefits of the program. As a last point, the government must guarantee open and equal plans. These are but a few of the many tasks that must be completed if financial inclusion is to achieve its goals. While both PMJJBY and PMSBY are microinsurance programs offered by PMJDY, the PMSBY is the superior option due to its lower cost and longer coverage period (70 years vs. 60 years). The PMSBY is more cost-effective for smaller insurance groups since it provides greater coverage at lower charges. If you can't afford the PMSBY premium on your own, you can still benefit from the reduced cost of living it provides. People with low incomes or no savings are the most likely to purchase this form of insurance.

VII. CONCLUSION

As seen by the data presented in this study, financial inclusion was not a central focus of policy and was not seen as a tool for the "resurgence of an economically deprived society" before the PMJDY was approved, as seen by the data presented in this study. The PMJDY is a turning point in the country's progress toward financial inclusion and giving EDS more power. This should be a public movement, not just something the government does, and it should be a national resolution that everyone agrees on and has a deadline for.

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