



Importance of Financial Inclusion – A Social Responsibility of Government of Madhya Pradesh

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Abstract: The term financial inclusion is made up of two words; financial which means anything related to finance and inclusion and it is related to practices which provide equal access towards resources and opportunities to those people who do not get enough opportunities and remain excluded. Financial inclusion is a social responsibility of the government as they need to help those people who are away from the banking facilities. Therefore, financial inclusion means providing equal access to the entire financial product and services to those people who are excluded from such services. Financial Products and Services include banking, insurance, investment, and a lot more. Financial inclusion play an important role in inclusive development and growth of the economy. In India, the central government, state government and RBI have been continuously coming up with new policies and schemes to improve the status of financial inclusion. There are different measures which have been initiated by government which includes Pradhan Mantri Jan Dhan Yojana (PMJDY) and many such others which aim to provide financial strength to the individuals who are not getting much opportunities for their development and growth. This study aimed to understand current status of financial inclusion and also to evaluate various schemes which have been initiated by the government towards the goal of financial inclusion and the study area is Madhya Pradesh. This study is mainly based on secondary data collection and a simple percentage method is used to analyze the data. On the basis of analysis, it is concluded that the nature of financial inclusion can be said to be progressive in nature, but the involvement of private sector banks is still low as compared to public sector banks and regional rural banks.

Keywords: *Financial Inclusion, Banks, Yojana.*

1. INTRODUCTION

Financial inclusion is a means which aims at helping the businesses and individuals especially those residing and operating in the rural parts in India to provide access towards financial product and services for meeting different financial needs of the individuals which include



payments, saving money, availing of affordable credit to start or expand their businesses – responsibly and sustainably.

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To sum up including those who are excluded is the main concept upon which each financial inclusion scheme is formulated.

Easy availability of low cost credit to MSMEs, SHG-bank linkage program, issue of kisan credit card and there are other benefits which are being provided by the government with an aim of financial inclusion. Instead of going for traditional ways which mainly includes lending money from moneylenders. There are different measures which have been initiated by Government of India, some of them are based on savings, pension, insurance and other such financial help which the government understands to provide to the public which is not included.

Definition of Financial Inclusion

Committee associated with Financial Inclusion, which was chaired by Dr. C Rangarajan have defined about 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 Committee based on a Medium-Term Path towards Financial Inclusion have mentioned about financial inclusion as, “*convenient access to a basket of basic formal financial products and services that should include savings, remittance, credit, government-supported insurance and pension products to small and marginal farmers and low income households at reasonable cost with adequate protection progressively supplemented by social cash transfers, besides increasing the access of small and marginal enterprises to formal finance with a greater reliance on technology to cut costs and improve service delivery*”

CRISIL has defined financial inclusion in the form of “*The extent of access by all sections of society to formal financial services such as credit, deposit, insurance and pension services.*”

Indicators of Financial Inclusion

There are different indicators of Financial inclusion, they are mentioned below:

- **Affordability** – It refers to such a situation wherein services are being provided at a cost which is quite affordable to people who were excluded from the financial system.



- **Adequacy** –People belonging to the weaker section of the society who did not find themselves suitable to avail the banking services and other kind of financial services, are provided such banking facilities adequately.
- **Accessibility** - This key factor implied that the services such as savings, insurance, credit etc. should have been provided to the people who do not find it easy to avail such facilities.
- **Awareness** – It is also important that those people who have been away from the banking services are at first made aware about the financial services which are available and then they should be informed about the benefits which these services provide.
- **Availability** – All the services should be made available to the vulnerable part of the society so that they could find it very easy for availing credit and saving facilities.

These indicators are very important and they indicate the starting and ending point in design of policies as well as targets of financial inclusion.

Objectives

- Evaluate the progress of financial inclusion in Madhya Pradesh.
- To provide information about various aspects associated with financial inclusion
- To understand the level of financial inclusion in Madhya Pradesh during last few years.
- To examine the bank-wise performance in M.P.

2. RESEARCH METHODOLOGY

The research methodology in this study is appropriate and well structured. On the basis of well-accepted approach to evaluate status and progress of financial inclusion, this study has following criteria to understand current status and progress of financial inclusion in M. P. and has analyzed considering banking development in terms of number of branches , number of ATMs, total deposit and total advances, analysis on the basis of year-on year progress of various schemes namely PMJDY ,PMJJBY ,PMMY, sector wise analysis of performance of banks which include PSBs, Private sector banks ,Regional rural banks, progress of Kisan credit card etc. This study has considered secondary data for analysis and this data has been collected from different sources like books, websites, journals, government reports etc. like SLBC MADHYA PRADESH, and PMJDY website. To study the banking development in MP and social security schemes, the data of the past four fiscal years starting from the fiscal year 2018-19 to 2021-2022 is taken into account. Since the data was not available for all the years so to analyze the progress of PMJDY, the data of the past two years i.e. 2020-2021 and 2021-2022 is considered. Six fiscal years data starting from 2016-17 to 2021-22 is studied to know the progress of PMMY. The collected data has been analyzed through the use of table and graph.

Analysis and Findings

(a) Banking Development in M.P.

Increasing the bank branches is one of the key measures that can stimulate greater financial inclusion in any area.

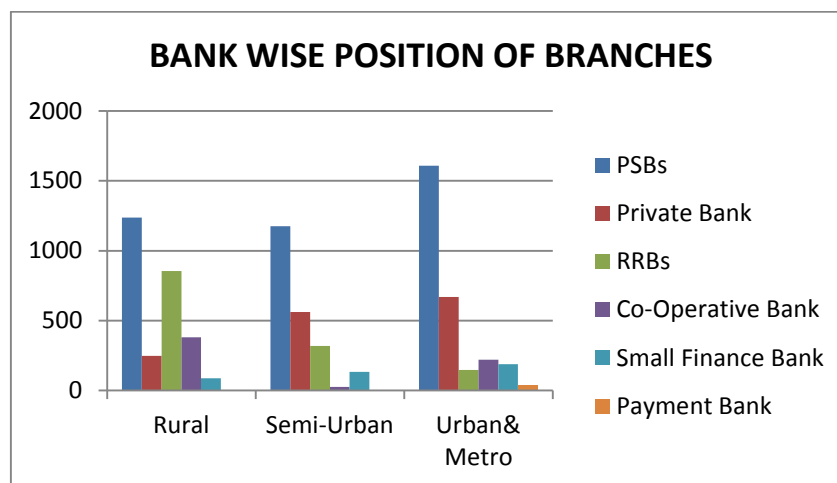
KEY BANKING PARAMETERS OF M.P. AS ON 31.03.2022

Sr.	Parameters	Outstanding Amount in crore				%Y-o-Y variation		
		March 2019	March 2020	March 2021	March 2022	March 2020	March 2021	March 2022
1.	No. of Branches	7684	7958	8032	8120	3.6	0.9	1.1
2.	Total number of ATMs	9316	9320	9453	9200	0.0	1.4	-2.7
3.	Total Deposits	393177	423556	488688	545918	7.7	15.4	11.7
4.	Total Advances	307354	332321	358785	396652	8.1	8.0	10.6

The total number of Bank Branches increased to 8120 in March-2022 from 8032 in previous year .But there is a decrease of 2.7% in the total number of ATMs as compared to previous year which was 9453. There has been an increase in the total ATMs, Deposits and Advances as per the table above. Banks have seen the rapid growth in the total advances in 2021-22 in comparison to the previous year.

(b) Bank wise position of branches as on 31.03.2022

Sr.	BANKS	No. of Branches			Total	ATMs
		Rural	Semi-Urban	Urban& Metro		
1	PSBs	1236	1176	1607	4019	7322
2	Private Bank	248	562	669	1479	1738
3	RRBs	854	318	148	1320	1
4	Co-Operative Bank	380	25	221	851	27
5	Small Finance Bank	88	133	188	409	112
6	Payment Bank	0	0	42	42	0
	TOTAL	2806	2439	2875	8120	9200

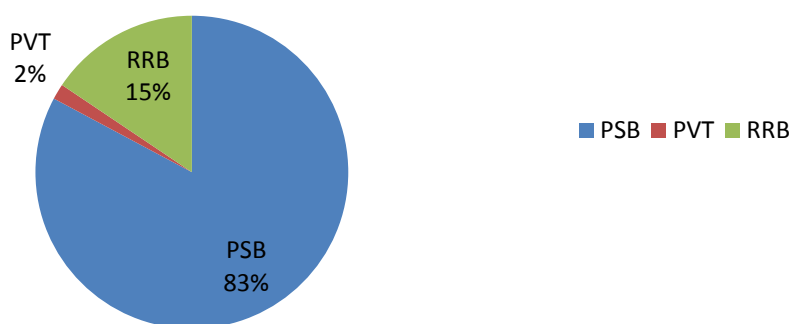


Public sector banks have the highest number of branches and ATMs in rural, semi-urban and in metro area as compared to other sector banks. There are total 854 branches in rural and 318 branches in semi-urban area of Regional Rural Banks showing highest involvement in increasing branch penetration especially in rural areas as compared to other sector banks. Private banks still are less in number in rural areas as compared to PSBs and RRBs.

(c) Pradhan Mantri Jan Dhan Yojana (PMJDY)

PMJDY programme of Indian Government was started in 2014 having their main objectives towards expansion of affordable access towards financial products and services. The total number of beneficiaries under this scheme as on 25/05/2022 accounts to 45.55 crore. Out of which the share of MP accounts to 37537147 as on 25/05/2022 which is 8.24% of the total beneficiaries registered under PMJDY.

AGENCY WISE STATUS



Around 83% PMJDY accounts were opened by PSBs which was followed by the RRBs with 15%. Out of them, only 2% accounts have been opened with the private sector banks. PSBs contribution towards this scheme is still low as compared to Public Sector Banks and Regional Rural.

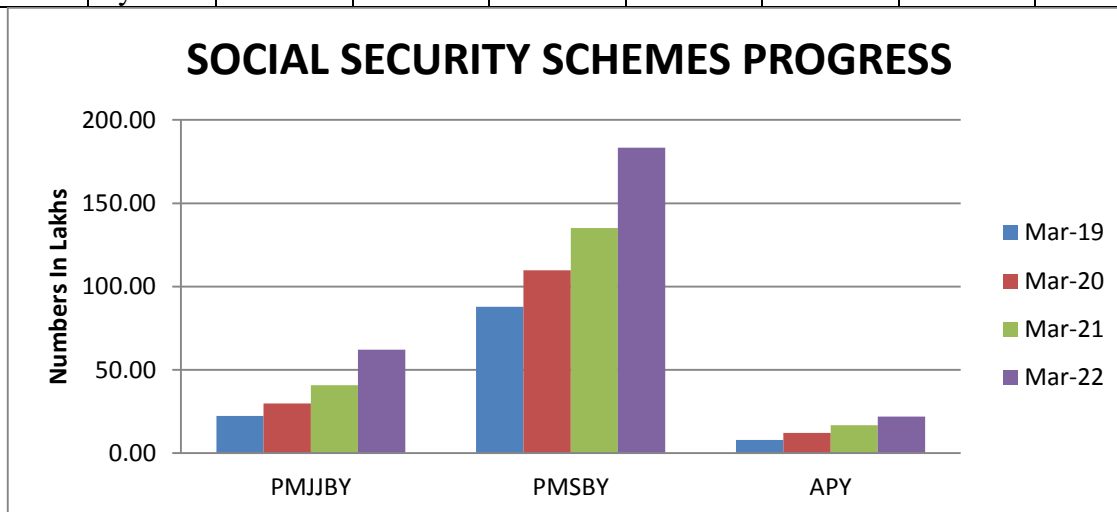
(d) Social Security Schemes

There are different schemes which have been opened by the Government for the people who have been away from insurance services have been offered with various schemes like “Pradhan Mantri Suraksha Bima Yojana” (PMSBY) and (b) “Pradhan Mantri Jeevan Jyoti Yojana” (PMJJY) and (c) “Atal Pension Yojana” (APY).

PROGRESS IN M.P

Number in lakhs

SCHEME	Age Group	CUMULATIVE ENROLLMENT				Y-o-Y PROGRESS		
		March 2019	March 2020	March 2021	March 2022	March 2020	March 2021	March 2022
PMJJBY	18-50 years	22.4	29.7	40.7	62.2	7.3	11.00	21.5
PMSBY	18-70 years	87.9	109.8	135.1	183.3	21.9	25.3	48.3
APY	18-40 years	7.9	12.2	16.8	22	4.3	4.6	5.3



The total cumulative enrollment increased to 62.16 lakh in year 2021-2022 from 40.17 lakh during previous year under PMJJBY have registered growth of 52.68% . Total cumulative enrollment in March-2020 was 29.71lakh.

The total cumulative enrollment increased to 183.33 lakh in year 2021-2022 from 135.05 lakh in the previous year under PMSBY registered growth of 35.75%. Total cumulative enrollment in March-2020 was 109.76 lakh.

The total cumulative enrollment increased to 22.00 lakh in year 2021-2022 from 16.75 lakh in the previous year under APY registered growth of 31.34%. Total cumulative enrollment in March-2020 was 12.19 lakh.

(e) Progress under Kisan Credit Card As On 31.03.2022

Amount in lakhs

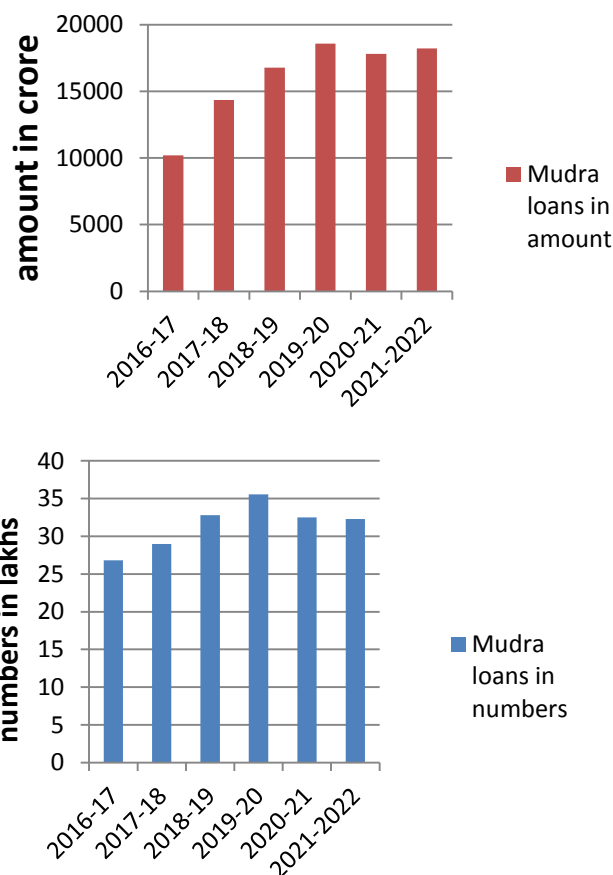
S r.	BANKS	No. of KCC issued April 2021 to March 2022 (Including renewal)		Total No. of KCC as on 31.03.22	
		No	Amt	No.	Amt
1	PSBs	964777	1643073	1911033	4028033
2	Private Bank	90088	467165	268387	1212067
3	RRBs	415293	597268	500147	793484
4	Co-Operative Banks	2544153	1680703	3904148	3243120
5	Small Finance Banks	7	6	11	13

The total number KCC issued from 01.04.21 to 31.03.2022 was 964777(including renewal) making total to 1911033 as on 31.03.2022 by PSBs. The highest number of KCC was issued by Co-operative Banks followed by public sector banks and then by regional rural banks in the fiscal year 2021-2022. The number of KCC issued by private sector bank is still less when compared to other sector banks.

(f) Pradhan Mantri Mudra Yojana

PMMY was launched during April 2015 to provide loans upto an amount of 10 lacs to micro enterprises, non-farm and to non-corporates. Such loans have been classified as MUDRA loans under PMMY.

Sr .	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	2021-2022
1	Mudra loans in numbers (lakhs)	26.83	28.99	32.82	35.57	32.49	32.31
2	Mudra loans in amount (crore)	10191	14357	16792	18578	17822	18218



The total number of Mudra Loans sanctioned in the year 2021-21 was 32.49 lakh; a decrease of 3.08 lakh from the previous year .A stagnant growth is seen in year 2021-22 where total number of Mudra Loans accounts to 32.31 lakh, a slight decrease of 0.18 lakh number of Mudra Loans.

(g) Micro Small and Medium Enterprise

MSME can be said to provide a lot of fuel to the growth of the economy and they provide equitable opportunities for development of the economy. Easy access to credit at an affordable rate will ensure faster development of this sector.

Sr .	Particulars	Outstanding amount (in crore)			Y-o-Y Growth %	
		March 2020	March 2021	March 2022	March 2021	March 2022
1	Micro Enterprise	31263	33958	39085	8.62	15.1
2	Small Enterprises	21864	20949	24315	-4.18	16.07
3	Medium Enterprises	6060	7687	9864	26.85	28.32
4	Other	1041	3102	2505	197.98	-19.26
5	Total credit to MSMEs	60228	65696	75769	9.08	15.33



3. CONCLUSION

Financial Inclusion plans along with the coordinated efforts of the central government, state government, and RBI towards the achievements of the objectives of plans could bridge gap would help people who were far off from the financial services at an affordable cost. Financial inclusion progress in M.P. shows an increase in the number of branches opened, the total amount of deposits, as well as the amount of credit disbursed to MSMEs, issue of KCCs. Their contribution to improving the picture of financial inclusion in rural areas is low as compared to specific banks. The main reason could be by creating financial awareness among those who are still excluded from such services. This study is mainly based on secondary data collection and a simple percentage method is used to analyze the data. On the basis of analysis, it is concluded that the nature of financial inclusion can be said to be progressive in nature, but the involvement of private sector banks is still low as compared to public sector banks and regional rural banks.

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