



Impact of social security schemes on financial inclusion: In the special context of Atal Pension Yojana, Pradhan Mantri Mudra Yojana, and Pradhan Mantri Jan Dhan Yojana

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Abstract

Objectives: Focusing on the current implementation status of the selected social security schemes, namely Atal Pension Yojana (APY), Pradhan Mantri Mudra Yojana (PMMY), and Pradhan Mantri Jan Dhan Yojana (PMJDY), this study aims to assess their impact in promoting financial inclusion among the rural population in India.

Methodology: The analysis and evaluation are based on secondary data compiled from the official websites of Department of Financial Services (Government of India), using simple statistical tools such as tabulation, percentage analysis, graphs, and compounded annual growth rates (CAGR).

Analysis Outcomes: These schemes significantly provide social & financial security to the socially & financially unsecured citizens, economic funding & support to the unfunded small & micro business owners, and banking facilities to the unbanked citizens. However, the study pointed out the several barriers in the effective implementation of these social security schemes that needs to be addressed.

Conclusion: The researcher stressed on the need for the government and relevant authorities to focus on improving awareness, financial literacy, and accessibility, simplifying documentation processes, enhancing administrative efficiency, building trust among the population, and addressing corruption, in order to overcome the identified barriers and ensure that these schemes cater to the diverse needs of the population.

Keywords: Social security schemes, Pension Yojana, Mudra Yojana, Jan Dhan Yojana, financial inclusion

Introduction

Financial inclusion is “an attempt to provide access to a wide range of affordable and appropriate financial services to all individuals and businesses, particularly those who have been traditionally excluded from the formal financial system” (Singh & Singh, 2022: p.153) ^[5]. It encompasses not only access to basic banking services like savings accounts and credit but also access to insurance, payment systems, and other financial products and services (Jain, 2016) ^[2]. It encourages savings and investment, especially among low-income and marginalized people, helping them build assets and plan for the future.

Financial inclusion holds immense significance for individuals, communities, and economies for several reasons. Access to financial services can help individuals and families break the cycle of poverty by providing them with tools to save, invest, and manage their finances more effectively. Financial inclusion can reduce income inequality by providing opportunities for economically marginalized and low-income populations to accumulate wealth and improve their economic well-being. They can participate more actively in the economy, leading to increased economic growth and job creation (Jain, 2016) ^[2]. Financial inclusion is not only about providing access to financial services but also about fostering economic development, reducing poverty, and enhancing the overall well-being of individuals and societies. It is a powerful tool for promoting inclusive growth and addressing social and economic inequalities. Moreover, social security schemes play a crucial role in advancing financial inclusion by not

only providing financial benefits but also by creating opportunities for individuals and households to access and engage with formal financial services (Singh & Singh, 2022) ^[5]. These schemes act as a catalyst for bringing unbanked and underbanked populations into the mainstream financial system, thereby contributing to economic development and reducing poverty.

The above explanation indicates that financial inclusion and social security schemes are closely interconnected, and social security schemes can have a significant impact on promoting financial inclusion. Against the above-stated backdrop, this article is an attempt to assess the impact of social security schemes in promoting financial inclusion in India, especially in the context of three social security schemes, namely – “Atal Pension Yojana” (APY), “Pradhan Mantri Mudra Yojana” (PMMY), and “Pradhan Mantri Jan Dhan Yojana” (PMJDY).

Objectives

This study has been conducted keeping the following objectives in mind:

- To focus on the current implementation status of the selected social security schemes, i.e. APY, PMMY, and PMJDY.
- To assess the impact of social security schemes in promoting financial inclusion among the rural population in India.
- To explore the major barriers to the effective implementation of social security schemes and to make recommendations to overcome those barriers.

Methodology

The analysis and evaluation of this study are based on secondary data. The relevant secondary data covers a period of seven years from 2016-17 to 2022-23 and the annual data were compiled from the official websites of APY, PMMY, and PMJDY, Department of Financial Services, Government of India. The collected data were analyzed using simple statistical tools such as tabulation, percentage analysis, graphs, and compounded annual growth rates (CAGR).

Analysis and discussion

Atal Pension Yojana (APY)

APY is a government-backed pension scheme launched by the Government of India in May 2015. It primarily aims to

provide a fixed pension ranging from Rs.1000 to Rs.5000 per month, depending on the contribution and age at entry, to all Indian citizens between the ages of 18 to 40 years, working in the unorganized sector, particularly those who work in low-income professions and do not have access to formal pension plans. This scheme replaced the previous government-run scheme named ‘‘Swavalamban Yojana’’ and is implemented and controlled by the Pension Fund Regulatory and Development Authority through NPS (National Pension System). APY is a significant initiative by the Indian government to promote financial security among individuals working in the unorganized sector by ensuring a regular source of income during their later years (Singh & Singh, 2022) [5]. The current implementation status of APY is shown in Table 1 below:

Table 1: Achievements under APY since its Inception (Figure in Thousands)

Years	Male Subscribers	Female Subscribers	Transgender Subscribers	Total Subscribers	% Increase
2016-17	3048 (62.4%)	1835 (37.6%)	1	4884	----
2017-18	5817 (59.9%)	3887 (40.0%)	2	9706	98.7%
2018-19	8944 (58.0%)	6470 (42.0%)	4	15418	58.9%
2019-20	12675 (56.8%)	9621 (43.1%)	6	22302	44.7%
2020-21	16690 (55.8%)	13219 (44.2%)	7	29916	34.1%
2021-22	22313 (55.6%)	17805 (44.4%)	10	40128	34.1%
2022-23	29152 (54.5%)	24292 (45.4%)	16	53460	33.2%

Source: Annual Reports, Dept. of Financial Services, Government of India.

As presented in Table 1, the total number of enrolments reached around 53.5 million till the year 2022-23, which included 22.3 million male subscribers and 17.8 million female subscribers across the country. The total number of enrolments has shown an average CAGR of 182.4% during the study period, which is a good sign for the

implementation of the scheme. The year after year increase in the enrolment under the scheme is very helpful for the people of India, as it inculcates the habit of saving among them and indirectly helps in the economic development of the country (Singh & Singh, 2022) [5].

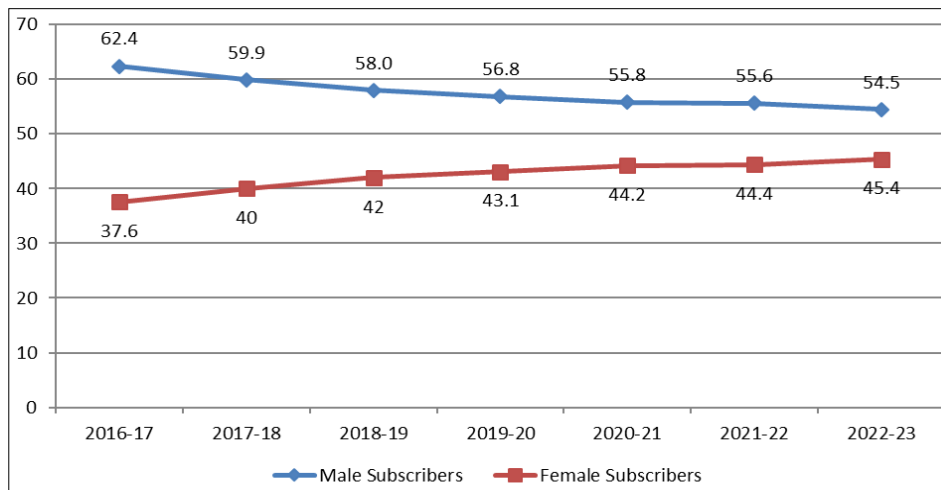


Fig 1: Gender-wise enrolment in Atal Pension Yojana

The gender-wise enrolment analysis of the APY, as depicted in Figure 1, evidences that the gender gap among the beneficiaries of the scheme declined over years. The data indicates a gender gap of 24.8%, with 62.4% male beneficiaries and 37.6% female beneficiaries in the year 2016-17; this gap declined to 9.1%, with 54.5% male beneficiaries and 45.4% female beneficiaries in the year 2022-23. With a weak of financial power among females in Indian society, these outcomes indicate successful implementation of the scheme to promote financial inclusion and social security, especially among rural women.

Pradhan Mantri Mudra Yojana (PMMY)

PMMY is a flagship government scheme launched by the Government of India in April 2015 to foster entrepreneurship, empower small & micro business owners, and boost economic activities in the country at the grassroots level. The primary objective of this scheme is to facilitate access to credit for small business owners, particularly those in the unorganized and informal sectors. PMMY provides collateral-free financial assistance at typically competitive and affordable interest rates, to individuals, entrepreneurs, and businesses in three main categories, known as ‘‘Shishu’’, ‘‘Kishor’’, and ‘‘Tarun’’ to

cater to the varying needs of businesses. Under the Shishu category, a loan is offered up to Rs.50,000, primarily targeted at small and new businesses. Under the Kishor category, a loan is offered between Rs.50,000 and Rs.5 lakh to businesses looking to expand their operations. Under the Tarun category, a loan is offered between Rs.5 lakh and

Rs.10 lakh to established enterprises with more extensive financial requirements. The repayment tenure for Mudra loans varies depending on the nature of the business and the loan category, but it typically ranges from 3 to 5 years. The current implementation status of PMMY is shown in Table 2 below:

Table 2: Achievements under PMMY since its Inception

Years	No. of PMMY Loans Accounts (in Crore)	Amount Sanctioned under PMMY Loans (Rs. Lakh Crore)	Amount Disbursed under PMMY Loans (Rs. Lakh Crore)
2016-17	3.97	1.81	1.75
2017-18	4.81	2.54	2.46
2018-19	5.99	3.21	3.11
2019-20	6.20	3.37	3.29
2020-21	5.07	3.22	3.11
2021-22	5.37	3.39	3.31
2022-23	6.23	4.61	4.50

Source: Annual Reports, Dept. of Financial Services, Government of India.

The data presented in Table 2 indicates increasing trend in the number of Mudra loan accounts, amount of Mudra loans sanctioned, and amount of Mudra loan sanctioned during the study period, except in the year 2020-21. The decrease in the year 2020-21 can be attributed to the pandemic-induced lockdown, restrictions, and global slowdown of economic activities. While the amount sanctioned under Mudra loans

showed an average CAGR of 42.4% during the study period, the amount disbursed under Mudra loans showed an average CAGR of 42.9%. The rising volume of Mudra loans clearly evidences the financial support in the form of refinance provided to the micro enterprise sector, promoting the financial inclusion in the country (Rajagopal, 2022) ^[4].

Table 3: Category-wise Analysis of PMMY

Category	No. of PMMY Loans Accounts (in Crore)			Amount Sanctioned under PMMY Loans (Rs. Lakh Crore)		
	2021-22	2022-23	% change	2021-22	2022-23	% change
Shishu	4.16	5.17	+24.3%	1.27	1.84	+44.9%
Kishor	1.11	0.93	-16.2%	1.36	1.66	+22.1%
Tarun	0.10	0.13	+30.0%	0.76	1.11	+46.1%
Total	5.37	6.23	+16.0%	3.39	4.61	+36.0%

Source: Annual Reports, Dept. of Financial Services, Government of India.

Moreover, Table 3 presents the category-wise analysis of PMMY achievements over the last two years, i.e. 2021-22 and 2022-23. With a rise of 24.3% and 30% in Shishu and Tarun Mudra loan accounts respectively, the amount sanctioned showed an increase of 44.9% and 46.1% respectively in both the categories. Even with a decline of 16.2% in the Mudra loan accounts under Kishor category, the amount of Mudra loan sanctioned under the category increased by 22.1%. These results indicate the significance of the scheme in providing the collateral-free and cheap credit to “Millions of unfunded micro units”, otherwise struggling to get finances to establish the unit (Rajagopal, 2022) ^[4]. PMMY successfully filled the gap of unfunding or shortage of the funds (Adwal, 2019) ^[1].

Pradhan Mantri Jan Dhan Yojana (PMJDY)

PMJDY is a flagship financial inclusion program launched by the Government of India in August 2014. This scheme ensures comprehensive financial inclusion by providing access to various financial services to every household in India, particularly those in rural and underserved areas. It aims to bring unbanked and underbanked households into the formal financial system. In addition to basic savings and deposit accounts, PMJDY accounts provide access to various financial services such as remittances, credit, and insurance products, making it easier for account holders to manage their finances and secure their future. It focuses on financial empowerment, reducing poverty, and enhancing the delivery of various government welfare programs. It also emphasizes financial literacy and education to empower account holders with knowledge about banking and financial services. The current implementation status of PMJDY is shown in Table 4 below:

Table 4: Achievements under PMJDY since its Inception

Period	Jan Dhan Accounts (in Crore)	Deposits under PMJDY (in Rs. Crore)	Average Deposit per Jan Dhan Account (in Rs.)	% Change in Average Deposit
Aug 2015	17.9	22901	1279	---
Aug 2016	24.1	42094	1747	+36.6%
Aug 2017	30.1	65799	2186	+25.1%
Aug 2018	32.5	82039	2524	+15.5%
Aug 2019	36.8	102415	2783	+10.3%

Aug 2020	40.4	130086	3220	+15.7%
Aug 2021	43.0	146230	3400	+5.6%
Aug 2022	46.3	173954	3757	+10.5%
Aug 2023	50.1	198247	3957	+5.3%

Source: Annual Reports, Dept. of Financial Services, Government of India.

As evident from the data presented in Table 4, the number of Jan Dhan accounts increased from 17.9 crores in August 2015 to 50.1 crores in August 2023, showing an average CAGR of 35%. The total deposits under Jan Dhan accounts amounted to Rs.1,98,247 crores. The data indicates the significant contribution of PMJDY in expanding the

financial architecture of India, by helping to bring the unbanked into the banking system (Adwal, 2019) [1]. The scheme has brought financial inclusion to almost every adult. The data sources also highlights that 55.6% Jan Dhan account holders are women and 66.8% Jan Dhan accounts are in rural and semi-urban areas (PIB Press Release, 2022).

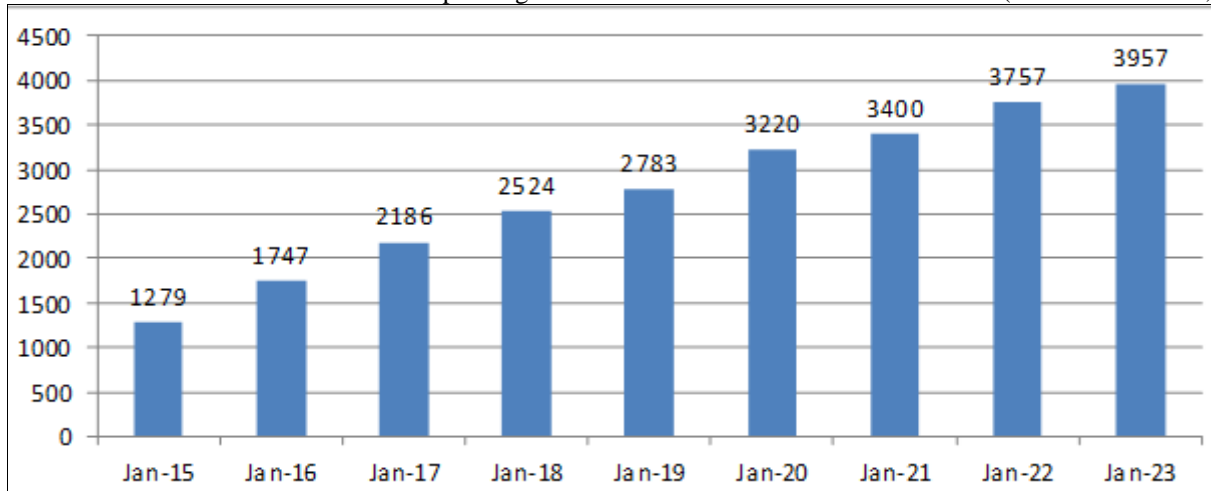


Fig 2: Average Deposit per Jan Dhan Account (in Rs.)

The figure above depicts the increasing trend in the average deposits per Jan Dhan account. The average deposits almost tripled since the initiation of the scheme, from Rs.1279 per account in Jan-15 to Rs.3957 per account in Jan-23, showing an average CAGR of 34.4%. The increase in average deposits is another sign that account usage is increasing and account holders are developing saving and banking habits. Data show that Jan Dhan accounts provide the poor with a way to integrate their savings into the formal financial system, providing a way for them to send money to their families in their villages, in addition to freeing them from the clutches of the usurious money lenders. This scheme has promoted financial inclusion by “banking the unbanked”, “securing the unsecured”, and “funding the unfunded” (Adwal, 2019) [1].

Major barriers to implementation

The effective implementation of social security schemes in India, including initiatives like APY, PMMY, and PMJDY, faces several barriers and challenges:

- Many eligible beneficiaries are not aware of these schemes or their benefits (Singh & Singh, 2022) [5]. As a result, they do not enroll or participate.
- A significant portion of the Indian population lacks financial literacy and may not fully understand the terms and conditions of these schemes, making it difficult for them to make informed decisions (Singh & Singh, 2022) [5].
- In rural and remote areas, access to banking services and infrastructure can be limited (Adwal, 2019) [1]. People often have to travel long distances to access banks, which discourages them from participating in these schemes.

- Many people in India struggle to meet their basic needs, and contributing to social security schemes can be financially challenging (Jain, 2016) [2]. They may prioritize immediate expenses over long-term savings.
- Effective communication and outreach strategies are crucial for the success of these schemes (Singh & Singh, 2022) [5]. Inadequate efforts to educate and inform potential beneficiaries can lead to low participation rates.

Conclusion

The outcomes of the analysis of the implementation status & achievements of the selected social security schemes indicate that these schemes have successfully been implemented to cater to the diverse needs of the economically marginalized and low-income population and are playing a significant role in promoting financial inclusion across the country. However, their effective implementation is impacted by several barriers that needs to be addressed. To overcome these barriers, the government and relevant authorities should focus on improving awareness, financial literacy, and accessibility, simplifying documentation processes, enhancing administrative efficiency, and addressing corruption. Additionally, building trust among the population and ensuring that these schemes cater to the diverse needs of the population are essential steps toward effective implementation. Moreover, the following suggestions will definitely help the policymakers and implementing agencies to enhance the enrolment under these schemes:

- More awareness and financial literacy campaigns should be conducted at the grassroots level, i.e. Panchayats, schools, and colleges, to promote and

popularize these social security schemes across the country.

- There is also a need to integrate financial education into school and university curricula to improve the financial literacy of the country's younger generation, ushering in a new era of financial literacy.
- In order to include the female population in these schemes, the government still needs to take several steps. Participation of eligible women shall be ensured in all women empowerment campaigns launched by the government from time to time. This will indirectly increase women's financial literacy.
- Proper coordination needs to be established between bank officials, state government officials, and central government officials to extend the reach of these schemes among wider sections of society.
- Adequate training should be provided to officials of implementing agencies to increase enrollment in the scheme.

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