

PMJDY DELIVERS UNIVERSAL FINANCIAL INCLUSION

- India now has 58.3 crore Savings & Bank Deposit Accounts
- Number of active Financial Inclusion Accounts (FI A/Cs) have shot to 45.1 crore by March 2018 – 4 times jump
- Heightened Economic Activity – 11.52 times jump; Digital Transactions up 7.7 times
- Overall there were Rs 31,230 crore in deposits in FI A/Cs in March 2014; Rs 1,06,640 crore by March 2018 – 3.14 times jump, 70 pr cent of these are in PMJDY A/Cs
- 24 crore FI A/Cs have a RuPay Debit Card – 21 times jump; 55% used at least once
- Based on SKOCH Sample Data of 6 banks, total RuPay cards issued in Rural areas witnessed a massive jump of 23.71 times from 0.34 crore in March 2014 to 8.12 crore in Dec-17
- The total RuPay cards issued in Urban areas increased by 32.98 times from 0.07 crore to 2.26 crore within the same period
- 18.4% of FI Accounts have Accident Insurance; 5.4% have Life
- Growth in Bank Branches in Rural Areas – up from 33,370 in March 2010 to 50,880 in March 2017
- 90% of 1.26 lakh Banking Correspondents (BCs) are active

up from 4.16 crore Financial Inclusion Accounts in March 2014—an increase of 4.35 times (Figure 1).

Overall there were 24.3 crore Financial Inclusion Accounts in March 2014, which touched 58.3 crore by end of March 2018. The figure had already touched 56 crore as on December 2017, out of which, 25.3 crore accounts were Basic Accounts. Increase in number of active FI accounts shows a strong momentum in usage of banking services.

Rural Financial Inclusion Of the 99.95% coverage of households under PMJDY, Rural FI accounts increased data, the average balance in Rural Areas went up from Rs 514.40 in March 2014 to Rs 1695.24 in December 2017. Similarly, for Urban Areas it is estimated at Rs 3,251, up from Rs 537.5 during the same period.

This makes India an almost universally banked country at the household level (Figure 2). Not only have the number of accounts soared, the number of transactions in FI accounts have also exponentially gone up and that these have registered a jump of 11.52 times in the quantum of transactions. It is particularly noteworthy that the Digital Transactions have spiraled 7.7 times – up from 4.17 crore in March 2014 to 32.12 crore in March 2017 to 32.12 crore in December 2017. The overall transactions have been estimated to go up by 6 times indicating heightened activity in FI accounts, the report says.

Based on SKOCH Sample Data, the 6 banks have a total of 18.11 crore Financial Inclusion Accounts, 85%

Rural India is Saving Rural India is saving more, for which, the credit goes to Financial Inclusion initiatives of the Government of India. Overall there were Rs 31,230 crore in deposits across 24.3 crore Financial Inclusion Accounts in March 2014. Four years hence, this number has jumped by 3.14 times to Rs 1,06,640 crore in March 2018. Nearly 70% of this or Rs 74,650 crore are in 33 crore PMJDY accounts (Figure 4).

The shows an exponential improvement in saving habits and capital formation among people who were until recently unbanked.

As per SKOCH sample data, the average balance in Rural Areas went up from Rs 514.40 in March 2014 to Rs 1695.24 in December 2017. Similarly, for Urban Areas it is estimated at Rs 3,251, up from Rs 537.5 during the same period.

The report says there is a similar 3.41 times jump in income of banks on account of PMJDY accounts. At 3% spread, it is expected to be Rs 3,199.3 crore in March 2018, up from average Rs 936.9 crore in March 2014. The upward trend is suggestive of the fact that the money deposited in PMJDY accounts is still in the system and that the criticism that PMJDY accounts were misused during demonetisation is unfounded since the money deposited by PMJDY account holders is still in the system. In fact, if the accounts were being misused, the money would have exited such accounts long time ago.

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24 crore RuPay Cards Of 34 crore Financial Inclusion



Prime Minister Narendra Modi announced Pradhan Mantri Jan Dhan Yojana (PMJDY) while addressing the Nation on the occasion of 68th Independence Day, 15th August 2014

as per SKOCH sample data, which stand at 14.92 crore in December 2017, have a far larger share of RuPay Cards than Urban Financial Inclusion Accounts at 3.20 crore in December 2017. This split stands at 78.22% in Rural Areas and 21.78% in Urban as in December 2017 (Figure 5).

Transactions Overall digital transactions have risen from 4.17 crore in December 2014 to 32.12 crore in December 2017, reflecting a jump of 7.7 times, report highlights. This is also indicative of heightened economic activity in Financial Inclusion accounts, according to Sameer Kochhar.

Similarly, cash transactions have also shown an upward trend, up from 14.82 crore in March 2014 to 186.75 crore in December 2017, pointing towards a 12.6 times growth in Cash Transactions (Figure 6).

Social Security Net Pradhan Mantri Jeevan Jyoti Bham Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY) have been successful in providing the social security safety net to those who were not only 'unbanked' but also

'insurance excluded' prior to 2014. According to the Report, Financial Inclusion Accounts are clearly outperformers in insurance. While LIC is leading in PMJJBY, New India Assurance leads in PMSBY.

Based on SKOCH Sample Data of 6 banks, 18.4% FI accounts had Accident Insurance Linkage and 5.4% FI account had Life Insurance Linkage. When compared to the overall insurance penetration in India is merely 3.7%.

Out of SKOCH sample study data, 18.11 crore Financial Inclusion Accounts, 3.34 crore had accident insurance and 0.98 crore had life insurance cover. The insurance includes cover bundled with RuPay Card as well as accounts opting for PMSBY and PMJJBY. Based on the SKOCH sample data, out of these accounts only about 0.1 crore were found to be linked with Pension schemes – Atal Pension Yojana (APY) and Swavalamban Yojana, report said.

Micro Insurance Success Out of 18.11 crore FI accounts studied, 3.34 crore had Accident Insurance Incidence

and 0.98 crore had Life Insurance Incidence. The insurance includes cover bundled with RuPay Card as well as accounts opting for PMSBY and PMJJBY. Based on SKOCH Sample Data of 6 banks, 18.4% FI accounts had Accident Insurance Linkage and 5.4% FI account had Life Insurance Linkage. When compared to the overall insurance penetration in India is merely 3.7%.

Channel Expansion The number of rural bank branches has seen a steady increase from 33,370 in March 2010 to 50,880 in March 2017. This is indicative of greater rural penetration by banks. The number of Banking Correspondents (BCs) has

divided from 2.48 lakh in March 2014 to 1.26 lakh in December 2017. However, the number of active BCs has increased significantly since March 2014 when almost 80% BCs were inactive to December 2017 where now more than 90 per cent of the 1.26 lakh BCs are active (Figure 8).

Based on SKOCH Sample Data of 6 banks, of the 64,000

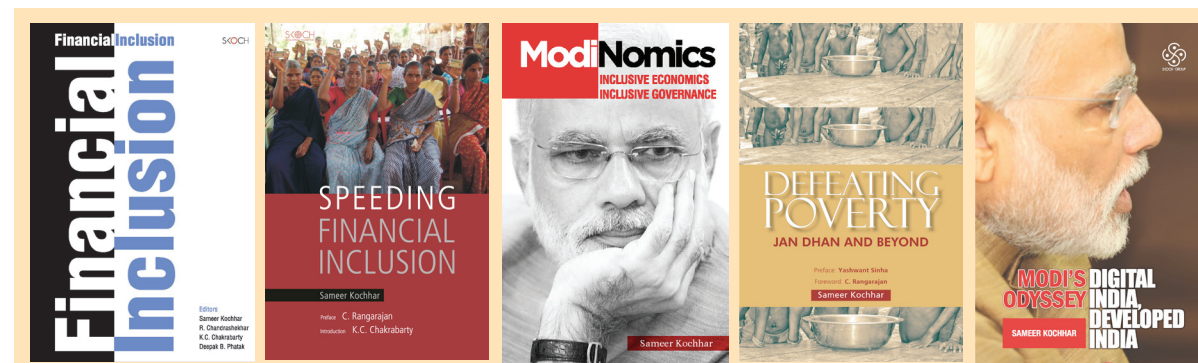
BCs studied, it came to light that a total of Rs 429.09 crore credit and Rs 23.29 crore recovery business was done through them from March 2013 till December 2017. This is a significant increase from only Rs 1.64 crore credit and Rs 2.25 crore recovery business conducted through BCs as reported for March 2015. On the basis of 64,000 BCs studied, the total credit income comes out to be Rs 8.03 Crore, total Recovery income Rs 1.32 crore and total income from other sources comes out to be Rs 542.1 crore. Average monthly income (Fixed & Variable) of BC as estimated by Microsave is Rs 5,775.

Recommendations

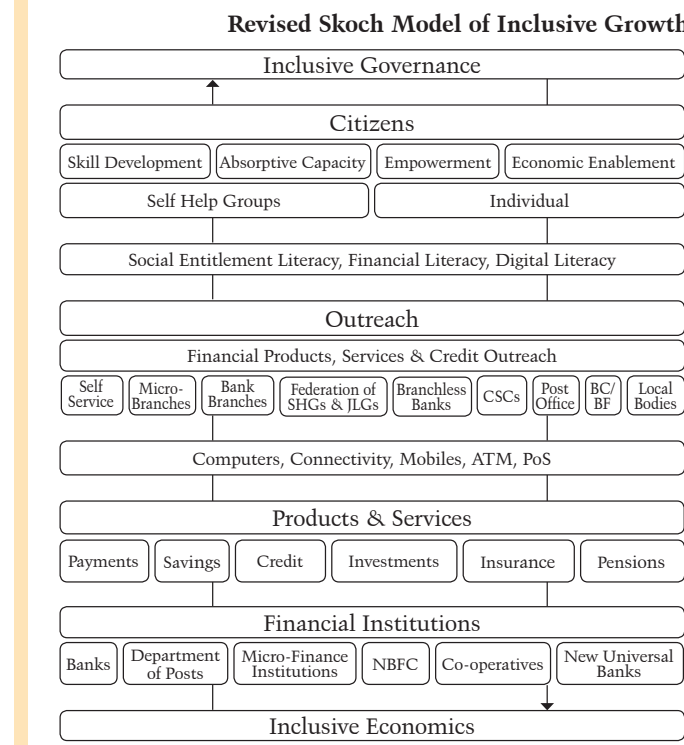
- PMJDY accounts should be mandated for Direct Benefit Transfer (DBT)
- Cards issued to PMJDY should have a built in credit limit of Rs 500 adjusted against DBT
- Credit should be made available @14% or higher.
- The credit limit should go up gradually.
- A small savings product is urgently required.
- Exchange Traded Funds, e.g., Gold and Silver should be offered.

Methodology SKOCH has been studying Financial Inclusion since before the inception of government schemes in this sector in 2004. It has periodically published research on the performance of these schemes and made recommendations for improvements. Several of these recommendations have been implemented. The SKOCH knowledge repository has been extensively used for the current analysis.

For the present study, primary data on Financial



BRINGING FELT NEEDS TO POLICY SINCE 1997



Sameer Kochhar, Chairman, SKOCH Group is a renowned social scientist. He is a globally recognised authority on inclusive growth covering areas across financial, digital and social inclusion. His work has profoundly impacted public policies in India and has been instrumental in shaping and course correcting key policy initiatives for over two decades. Having written four books on the subject, his recommendations on financial inclusion have been far-reaching. Since inception, financial inclusion policies in India have drawn extensively from and course corrected based on his work. He continues to passionately advocate for the optimal implementation of recommendations in a shorter time-frame.

Left: The SKOCH Model of Inclusive Growth (Kochhar, 2009) based on felt-needs depicts the complete life-cycle of financial inclusion.

Inclusion Accounts was sought from six public sector banks, namely, SBI, Allahabad Bank, Vijaya Bank, United Bank of India, Punjab and Sind Bank and Bank of India.

- These banks account for 54 % of the PMJDY Accounts. Data from these banks has been extrapolated and used to estimate overall scheme numbers wherever relevant. Most data is available up to December 2017 or early-February 2018. At places this has been extrapolated to March 2018. All such primary data is referred to as SKOCH Sample Data in this report.
- Several rounds of interviews and conferences were conducted across stakeholders.
- Extensive interviews were conducted even outside these 6 banks, which provided the data.
- Additionally, data was accessed from RBI website (<https://www.rbi.org.in>) and PMJDY website (<https://pmjdy.gov.in>).



Sameer Kochhar, Chairman, SKOCH Group with financially literate women at SAMAVESH Financial Literacy Programme organised at Pilibhit. SAMAVESH is organised in conjunction with, NPCI, NSE and SBI-Life.

CREATING INFRASTRUCTURE, FOSTERING INCLUSIVE GROWTH

On 2 April 2017, Prime Minister Narendra Modi inaugurated country's first and Asia's longest and largest bi-directional road tunnel 'Chenani-Nashari Tunnel' built on Jammu Srinagar National Highway. This tunnel length of 9.2 km has reduced 30.11 km distance between Jammu and Srinagar, saving fuel cost of Rs 27 lakh a day.

We felt no stone unturned in harnessing technology combined with our technical expertise to bore through such a challenging terrain to create an infrastructure marvel in a record time.

Indeed, it has been the result countering challenges and hard work put in by our engineers and the implementation team but more importantly, more than 2,000 workers including junior engineers, deployed on-site for execution of the nation's vision. More than 97% of workers used by IL&FS were picked up from local areas—many of whom had no prior experience of working on infrastructure projects—who were duly trained and immersed in the project. We engaged with the community right from the beginning, which participated in design, construction and thereafter also employed in operational maintenance.

Now when the project has become operational, the trained work force has mostly been absorbed into the other projects that IL&FS has been executing in other parts of the country, meaning as many families were and are still being supported back home. The youth, whom we picked up for Chenani-Nashari project, was trained and put on the job, had little or no means of livelihood earlier.

case, everything including land acquisition, designing, tendering, procurement, financial closure and construction—all completed in a record time—causing zero escalation. First stretch of 110 km was completed within 12 months and rest in much greater pace that not even China can match.

Needless to say that both the above examples have not only



Hari Sankaran, Managing Director & Vice Chairman, IL&FS

Another noteworthy example is the execution of 1,052 km of state highways in Rajasthan in less than 22 months. The biggest problem that delays a project is land acquisition, which also escalates the costs. In this

brought global experiences home but have also set global benchmarks. The interest shown by the Prime Minister for the possibility of replicating the Chanani-Nashari experience affirms his vision for paving roads for inclusive growth of

India—growth equated with livelihoods. Subsequently in line with the opening of this tunnel, 10 more highway projects have commenced in Andhra Pradesh to cover 405 kms and four projects in Gujarat covering 241 km. We recently signed the MoU with NHIDCL for construction of 14.15 km long, 2-lane bi-directional Zojila Tunnel in J&K at a total capital cost of Rs 6,808 crore. Once completed, it will replace Chenani-Nashari in terms of it being India's longest road and Asia's longest bi-directional tunnel, providing all-weather connectivity between Srinagar, Kargil and Leh and bringing about all-round economic and socio-cultural integration of these regions.

The infrastructure sector is an economic and employment multiplier, particularly roads, water supply and construction. There is need to convert informal jobs, which are much higher in number, into formal jobs and the infrastructure sector can propel this transition since it has projects where informal workforce can get formal role-defined positions. Private investment in public projects boosts employment and drives the economy. ■



L to R Sukhmeet Kaur, Sr. Software Developer; N H Siddalingaswamy, Director (e-Governance); Jaswant Singh Yadav, Minister for Labour, Skill, Employment and Entrepreneurship and Factory & Boilers, Government of Rajasthan; Sameer Kochhar, Chairman, SKOCH Group; M Ramachandran, Former Secretary, Government of India & Distinguished Fellow, SKOCH Development Foundation; Anil D Sahasrabudhe, Chairman; Mayuri Dhingra, Sr. Software Engineer; Madhukar Maruti Waware, Deputy Director (e-Governance); Anil D Sahasrabudhe, Chairman receive SKOCH Platinum Award

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