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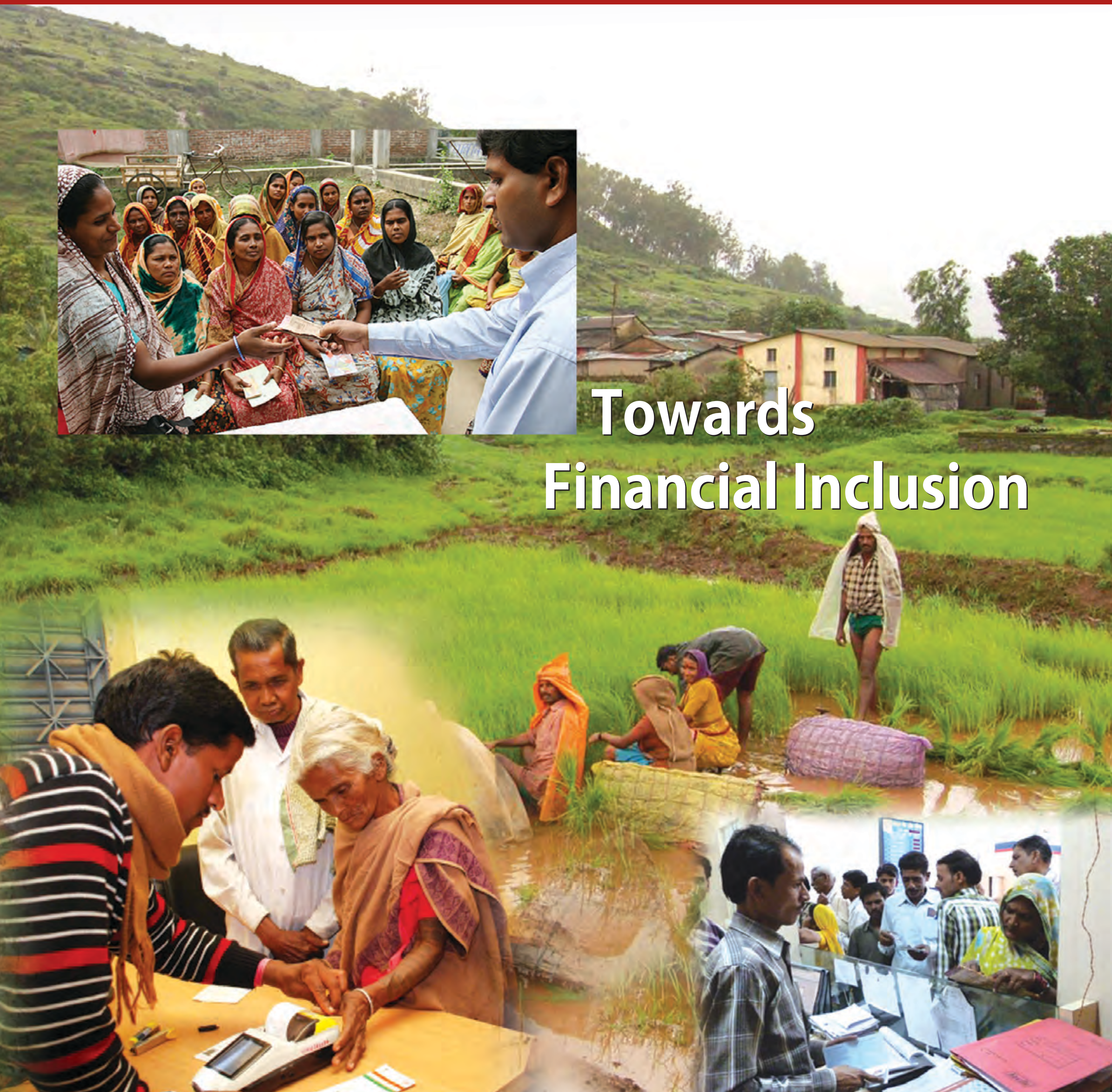

Towards Financial Inclusion

Pradhan Mantri Jan Dhan Yojana – A Fact Sheet:

The scheme aims to provide at least one bank account to each household across the country. Targeted at those who have never had a bank account in their lives, the scheme has simplified the whole process of opening an account. The KYC (know-your customer) rules to open a bank account have been simplified; the only document required is either Aadhar card, voter's identity card, driving license, PAN card, or card issue under MGNREGA. Even if the address mentioned in the document is different from the current residence of the applicant, a self-declaration will suffice. For those who do not have any of above mentioned identity proofs, a small account could be opened with a self-attested photograph along with signature or thumb impression in the presence of the bank official.

The PMJDY is being implemented in two phases. In the first phase (till August 14, 2015) every account holder will receive a RuPay debit card, and will be able to use basic mobile banking services, such as balance enquiry. Further, every account holder under the scheme will get an accident insurance cover of Rs.1 lakh. Bank accounts opened between 28 August 2014 and 26 January 2015 would also get life insurance cover worth Rs.30,000/-. These accounts are also eligible for over draft facility of Rs.5,000/- based on performance during the first six months. There will also be a financial literacy programme, expansion of Direct Benefit Transfer under various schemes through the beneficiaries bank accounts, and issuance of RuPay Kisan Card. In the second phase (from August 2015 to 14 August 2018), micro insurance and unorganized sector pension schemes would also be provided. Bank accounts opened after 26 January 2015 would be eligible for life insurance cover and micro insurance in this phase. As it is difficult to spread bank branches across all unbanked areas, Business Correspondents (BCs) will be deployed on a large scale to help execute the plan. The programme for financial inclusion under the PMJDY is based on six pillars:

Roadmap to Financial Inclusion:

1. The country will be divided into a number of sub-service areas (SSA), each with 1,000-1,500 households. One banking outlet (branch or BC) will be established within a distance of five km from every SSA by August 2015;
2. One bank account will be ensured for every household by August 2015, along with a RuPay debit card and an accident cover worth Rs. 1,00,000. If the credit history is satisfactory during the first six months, the account holder will become eligible for an overdraft worth Rs.5,000;
3. Financial literacy programmes will be expanded by August 2015 to spread awareness about financial services;

(Contd. Cover-3)

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CONTENTS

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Editorial

Financial inclusion has become the central theme of India's developmental policy and is now being implemented through the Pradhan Mantri Jan Dhan Yojana (PMJDY) programme. The focus of financial inclusion is to ensure access to appropriate financial products and services by vulnerable groups such as weaker sections and low-income groups, at an affordable cost. Financial inclusion has become one of the most critical aspects in the context of inclusive growth and development.

PMJDY was declared by the Prime Minister Mr Narendra Modi on 28th August 2014 under the theme "SabkaSaath, SabkaVikas" which means with every one and development for everyone and it is a national mission.

A Large section of the population lack access to basic financial services and address their need for financial products through informal means which are costly and unsecure. Financial inclusion aims to reduce such risks, and provide safer options. Over the years the various policies had failed to increase the presence of banks in remote rural areas. PMJDY will cover these areas and bring large sections of the population, especially in the rural areas, in the mainstream of economic growth.

Financial inclusion becomes more relevant for the rural economy because of its population size, market potential and changing income levels and consumption pattern.

A recently released National Sample Survey Organisation (NSSO) of agricultural households has revealed prevalence of high levels of dependence on non-institutional credit off-take in rural areas. Nearly 40 per cent of all loans came from informal sources with 26 per cent advanced by moneylenders. Marginal land holding households suffered the most with only 15 per cent of their credit being sourced from institutional sources such as the government, cooperatives and banks.

In this issue of the magazine academicians discuss how the PMJDY has performed on the ground and how this programme goes ahead from here. Besides, the programme has been critically evaluated.

The next phase of financial inclusion would focus on creation of productive assets and entrepreneurship development in farm sector which will add value to the Rural GDP.

Another major initiative of the government to boost the agricultural sector is the launching of the Pradhan Mantri Krishi Sinchayee Yojana (PMKSY) with an outlay of Rs. 50,000 crore Rupees. The objective of the PMKSY is to achieve convergence of investments in irrigation at the field level, expand cultivable area under assured irrigation (Har Khet ko pani), improve on-farm water use efficiency to reduce wastage of water. With the aim to help farmers realize better prices for their products the government also proposes to set up a National Agriculture Market (NAM) under which 585 wholesale markets across the country will be integrated. ❑

FINANCIAL INCLUSION IN RURAL INDIA: WILL 'JAN DHAN YOJANA' MEET THE INCLUSION GAP?

Dr. K. K. Tripathy

Financial inclusion has become a central theme of India's developmental policy. The post-bank nationalization era (post-1969) has witnessed significant changes in the operational policies and practices of the formal financial agencies in the rural areas. While the outreach and access to total bank credit improved during post-bank nationalization era, the delivery of agricultural and rural credit remained wrought with weaknesses, negating equitable and efficient distribution, thereby affecting the viability and sustainability of formal financial institutions.

A recently released National Sample Survey Organisation (NSSO)'s Situation Assessment Survey (SAS) of Agricultural Households revealed prevalence of high levels of dependence on non-institutional credit off-take in rural areas. Nearly 40 per cent of all loans came from informal sources with 26 per cent advanced by moneylenders. Marginal land holding households suffered the most with only 15 per cent of their credit being sourced from institutional sources such as the government, cooperatives and banks.

In this backdrop, this paper tries to review the trend, status and issues of agricultural and rural finance in India and explores the way ahead in the rural credit flow towards ensuring the national objective of financial inclusion. The paper, while appreciating the time-bound universal financial inclusion programme – Pradhan Mantri Jan Dhan Yojana (PMJDY), deliberates upon the future implementation challenges of the scheme. This paper also gives policy prescriptions on the possible resolution of such challenges.

Rural Credit Policy

Post-independent India has stressed on progressive institutionalisation of rural and agricultural credit. India promoted an institutional structure for agricultural and rural credit where the cooperative sector ensured directed credit to farmers and State Bank of India and its associates were involved in financing these cooperative agencies. In 1969, the then government accepted that rural credit could not be met by co-operative societies alone and that the commercial banks need to play a leading role. This prompted Government of

India (GoI) to nationalize leading banks in 1969 (and in 1980). Following the recommendations of Reserve Bank of India's M. Narasimham Committee, Regional Rural Banks (RRBs) were set up in 1975. NABARD, an apex development bank, was created in 1982 to enable a sustainable rural banking infrastructure and to coordinate and direct rural financial institutions in a professional and specialized manner.

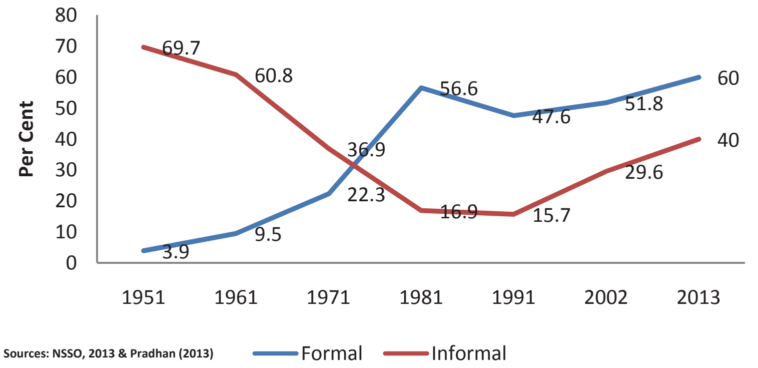
Further, the central bank directed the commercial banks for providing a specific portion of their lending to few sectors covering direct or indirect finance to agriculture, small scale industries, micro credit, education loans, housing loans, export credit etc. The total priority sector lending for a bank was pegged at 40 per cent of credit equivalent of off-balance sheet exposure.

Trend in the Flow of Rural Credit

The flow of direct institutional credit to agriculture and allied activities has witnessed rapid increase. Between 1971-72 and 2011-12, agricultural credit witnessed a jump of around 747 times from merely Rs. 883 crore to Rs 4,53,898 crore (Table 1).

Chart 1 indicates that the share of institutional credit as a per cent of total debt has increased vis-a-vis that of the informal credit over time during the periods 1951 and 2013. The decline in the share of moneylenders may be well attributed to the central Government's efforts to register and regulate professional moneylenders and initiation of a plethora of measures strengthening institutional credit flow mechanisms in the agriculture and allied sector. However, the increasing dependency of informal sources of credit by rural households from 1991 onwards is a cause of concern. This increasing

Chart 1: Acess to Formal & Informal Sources of Credit by Rural Households



Sources: NSSO, 2013 & Pradhan (2013)

Table 1: Direct Institutional Credit to Agriculture and Allied Activities (Short and Long Term; 1971-2 to 2011-12)

Year	Share in total credit (per cent)				Total
	Cooperatives	**State governments**	**SCBs**	**RRBs**	**(Rs crore)**
1971-2	87.1	11.2	1.7	-	883
1981-2	57.7	3.6	34.8	3.9	4296
1991-2	50.2	2.9	41.7	5.2	11,538
2001-2	56.4	0.8	34.4	8.4	54,195
2002-3	52.2	-	38.8	9.0	65,175
2003-4	48.0	-	43.4	8.6	83,427
2004-5	42.7	-	45.9	11.3	1,05,303
2005-6	33.4	-	56.0	10.6	1,44,021
2006-7	28.5	-	60.8	10.7	1,89,513
2007-8	29.6	-	58.2	12.2	1,94,953
2008-9	23.9	-	65.32	10.78	2,45,976
2009-10	22.17	-	65.73	12.10	2,86,39
2010-11	22.65	-	64.60	12.75	3,44,878
2011-12	19.37	-	68.93	11.70	4,53,898
2012-13	16.8	-	73.4	9.8	6,60,351

Sources : RBI (2010) & (2014a)
Notes : SCBs: Scheduled Commercial Banks
RRBs: Regional Rural Banks

trend has posed a real challenge before the government to ensure rural financial inclusion.

As regards the spread of rural bank branches in India, there were 4,817 rural bank branches during 1971 catering to 75.1 per cent of total population constituting almost 33 crore rural people (Table 2). The corresponding figures for 2011 were 33,795 and 68.8 per cent (83.3 crore rural people), respectively. While the percentage of rural bank offices to total bank offices was the highest (58.5 per cent) at the end of 1991, it gradually reduced to 37.2 per cent during 2011.

The area-wise distribution of Scheduled Commercial Banks (SCBs), their advances, loan outstanding and average outstanding per loan account indicate a great rural-urban divide in the spread of bank offices and access to finance from commercial banks (Table 3). Data on loan outstanding indicates that on an average, a metropolitan borrower had an outstanding of Rs. 8.94 lakh followed by an urban (Rs. 2.05 lakh), semi-urban (Rs. 1.10 lakh) and rural (Rs. 0.79 lakh) borrower. Out of the total loan outstanding in 2013, rural branches contributed 39.33 per cent and the remaining was contributed by non-rural bank offices. This indicates that rural areas are relatively more credit worthy than the non-rural area borrowers and opens an avenue for greater credit flow to the rural households.

Table 2: Rural Population and Bank Offices (1971-2011)

Year	% of Rural Population to Total Population	Bank Offices		% of Rural Banks to Total Banks
		Rural	Total	
1971	**75.1**	**4,817**	**13,622**	**35.4**
1981	69.6	17,656	35,707	49.4
1991	65.4	35,206	60,220	58.5
2001	72.2	32,562	65,919	49.4
2003	71.8	32,303	66,535	48.6
2005	71.3	32,082	68,355	46.9
2007	70.9	30,585	72,165	42.4
2009	70.4	31,829	80,514	39.5
2011	68.8	33,795	90,830	37.2

Sources: RBI (2005, 2007 & 2014a)
Census Statistics 1971, 1981, 1991, 2001 & 2011 (provisional)
Government of India (2007, 2008, 2009 , 2010 - 2013)

Table 3: Distribution of Scheduled Commercial Bank Offices, Accounts and Outstanding (As in March 2013)

Area	Offices (Nos.)	Accounts (in Lakh Nos.)	Outstanding (Rs. Cr.)	Loan Outstanding per Account (Rs.)
Rural	39,195 (37.17)	336.43 (56.08)	2,65,964.3 (39.33)	79,156
Semi-Urban	28,165 (26.71)	199.54 (33.26)	(32.51) 1,10,178	2,19,849.5
Urban	19,902 (18.87)	55.30 (9.21)	1,13,744.9 (16.82)	2,05,686
Metropolitan	18,175 (17.23)	8.57 (1.4)	76,617.7 (11.33)	8,94,022
All-India	1,05,437 (100.0)	599.84 (100.0)	6,76,176.4 (100.0)	1,12,726

Source: RBI (2014b)
Note: Figures within the parenthesis indicate percentage to the column total

Flow of Agricultural Finance

Banks agricultural credit comprises direct and indirect finances. The direct finance to agriculture is the short and long term credit support which is directly provided to the cultivators. The 'crop loans' are primarily short term direct finance. Apart from the credit support for raising crops, loans of mid-term/long term duration are granted to farmers to boost long term investment in agriculture. The indirect finances to agriculture are those finances which go to support institutions which impact the overall agricultural productivity in rural areas. Some of these types of loans are directed for the agricultural input providers for smoothening input supply to the agriculture. Loans to farmers through PACs/Farmer Service Societies/Large Adivasi Multipurpose Primary Societies, support for distribution of fertilisers, and loans to State Electricity Boards are categorised as indirect finance.

Between 1975-76 and 2011-12, the share of the overall indirect finance to total agricultural credit has decreased from 27.4 per cent to 17.6 per cent whereas the direct finance to cultivators has marked an increased trend i.e. from 72.6 per cent in 1975-76 to 82.4 per cent in 2011-12.

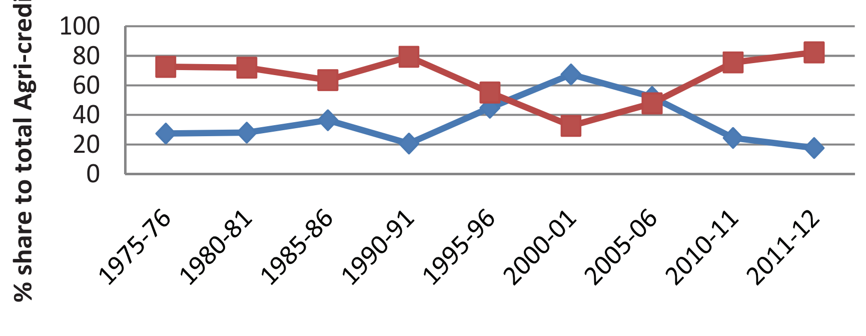
An analysis of the flow of finance through SCBs during the periods 1975-76 and 2011-12 (Table 4) indicates that the indirect finance from SCBs were either nil or negligible during 1975-76 to 1990-91. However, post 1990-91 witnessed an increase in the flow of indirect finance from the SCBs. The indirect finance by SCBs rose from a mere 4.1 per cent in 1990-91 to 18.2 per cent in 2011-12. During the same period, the flow of direct finance from SCBs marked a downward trend i.e. from 95.9 per cent in 1990-91 to 81.8 per cent in 2011-12.

When social control of banks was introduced in 1967, a rapid expansion of rural bank branches was noticed. RBI's priority sector lending policy i.e. provisioning small value loans to farmers for agriculture and allied activities, micro and small enterprises, poor people for housing, students for education and other low income groups and weaker sections have somewhat encouraged flow of credit to the rural areas. However, the flow of credit has been much below the targeted 40% level (Table 5).

Chart 3 portrays the analysis of the trend of disbursement of finance and loan accounts by category of farmers. During 1985-86, out of the total loan accounts with commercial banks, 76.3 per cent were Small and Marginal Farmer (SMF) borrowers' accounts. However, the credit disbursement to small and marginal farmers was 53.8 per cent of the total disbursement during that year. The majority of finance has gone to the Large Farmer (LF) borrowers. Chart 3 also indicates that there is a wide gap between the loan accounts and credit disbursal to small and marginal farmers and big farmers during 1985-86 to 2011-12. During 2011-12, 77.8 per cent of loan accounts (SMF) received 63.5 per cent of total disbursed credit whereas 22.2 per cent of loan accounts belonging to the LF obtained 36.5 per cent of total loan amount disbursed. This indicates that the credit expansion initiatives have helped considerably the big farmers.

The financial needs of the farmers and rural entrepreneurs have increased manifold with the passage of time. To meet these ever-increasing credit needs, availability of formal financial institutions and accessibility to finance

Chart 2: Share of Direct and Indirect Institutional Finance to Agriculture



Source: RBI, 2014

Table 4: Share of Direct and Indirect Finance in Agricultural Credit from All Banks (1975-76 TO 2011-12 in %)

Year	Percentage Share to Total Agriculture Credit			
	Indirect Finance		Direct Finance	
	All Institutions*	SCBs	All Institutions*	SCBs
1975-76	27,4	0,0	72,6	100,0
1980-81	28,0	0,0	72,0	100,0
1985-86	36,4	0,0	63,6	100,0
1990-91	20,6	4,1	79,4	95,9
1995-96	44,8	10,0	55,2	90,0
2000-01	67,4	19,4	32,6	80,6
2005-06	52,2	25,6	47,8	74,4
2010-11	24,4	28,0	75,6	72,0
2011-12	17,6	18,2	82,4	81,8

* Includes Cooperatives, State Governments, SCBs, RRBs and any other financial institution which finance the farm sector.

Source: RBI (2014a)

access points are the need of the hour. In the field of rural financing, the real challenge is now to cover all the households with the banking/formal financial network and strengthen the formal financial institutions in rendering financial services to these poor but needy rural masses.

Under these circumstances, to ensure smooth flow of financial services in the rural areas and to improve investment climate in agriculture and rural sector, the present government has taken renewed steps under its modified financial inclusion programme called Pradhan Mantri Jan Dhan Yojana (PMJDY) with effect from August 2014.

Pmjdy: Achievements and Challenges

(A) PMJDY: Achievement so far:

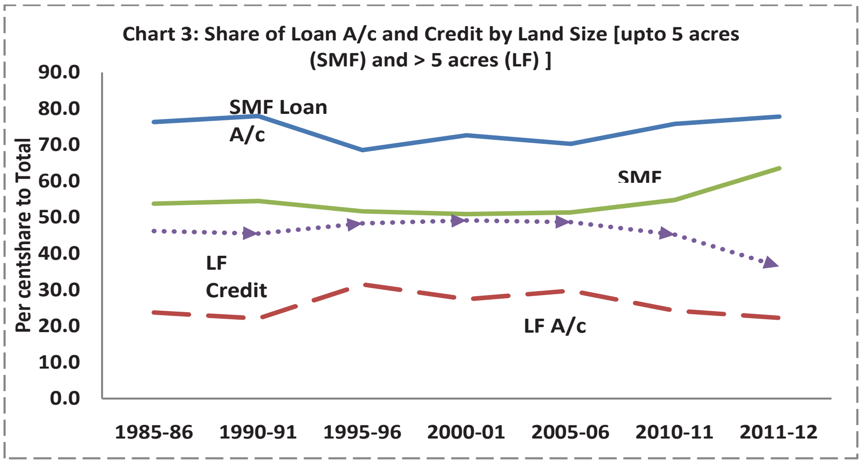
Pradhan Mantri Jan Dhan Yojana (PMJDY) – world's biggest financial inclusion initiative ever implemented by any developing country was announced by the Prime Minister on 15th August 2014. Launched across the country on 28th August 2014, this Yojana envisaged to be implemented in two phases on a mission mode. The activities under this Yojana are:

a) Opening up of bank accounts for 75 million poor uncovered households

Table 5 : Share of Priority Sector Advances in Total Credit of SCBs 1969-2013

Year	Share (in per cent)
1969	14.0
1972	21.0
1975	25.0
1978	28.6
1981	35.6
1984	38.1
1987	42.9
1990	40.7
1993	34.4
1996	32.8
1999	35.3
2002	34.8
2005	36.7
2008	34.9
2011	33.9
2012	32.3
2013	32.2

Sources: RBI 2014a



b) Providing each bank account with an overdraft facility of Rs. 5,000 accompanied by a RuPay debit card and an accident insurance cover of Rs. 1 lakh
c) Seeding Aadhaar numbers with the bank accounts to facilitate direct transfer of government subsidy payments for numerous welfare programmes.

By end-October 2014, i.e. well before the target date of January 26, 2015, the Govt. achieved its target set for bringing more than 75 million poor & unbanked households into the banking fold by opening their accounts with the formal financial institutions. RuPay debit cards were issued to more than 10 Cr. beneficiaries assuring a benefit of personal accidental insurance of Rs. 1 lakh under the programme. In addition, there existed a life insurance cover each of Rs.30,000/- for each of such eligible account holders. A deposit of Rs. 9,188 Cr. had also been mobilized in the accounts opened under PMJDY (Table 6).

Table 6 indicates that within a period of four months, 11.50 crore accounts have been opened out of which 6.84 crore accounts are rural accounts and 4.66 crore are urban accounts. Out of 11.50 crore accounts, 8.27 crore accounts are zero balance accounts. Thus, remaining 3.23 crore accounts witnessed deposits to the tune of Rs. 9,188 crore. On an average, Rs. 2,844 were deposited in these accounts.

(B) Unshackling PMJDY from Future Challenges

As per the Ministry of Finance data, out of the total 21.05 crore households in India, 20.99 crore (99.74%) have been successfully covered till date. Though opening up of bank accounts is the first step of inclusion for direct linkage with banking institutions, the real challenge is, however, to ensure consistent and adequate credit flow to the zero balance account holders. The challenge also lies in offering a single loan product which is not linked to the purpose of loan, the collateral or assets held or income earned by the household but is purely based on cash flows and credit record of the household.

The next challenge is to ensure availability of adequate credit to the rural households by opening a very large number of banking access points. These access points need to be spread uniformly or proportionately in the country depending on the spread and credit absorption capacity of borrowing households. Considering the presence of bank offices in rural India and the credit flow to the poor and low income households, it would be difficult to ensure universal coverage of unbanked areas in near future under the PMJDY. The banks need to set up a large number of branches in and around the unbanked villages and need to enhance their human resources. Considering the remoteness of the unbanked villages, the banks should, on a mission mode, be required to recruit a large number of rural cadre of banking personnel to man and serve the branches which would come up to cater to the needs of the rural borrowing households.

The need of the hour is not only to empower the existing Self-Help Groups to

Table 6: Bank-wise Status of Accounts opened under PMJDY as on 17.01.2015

Bank	Account Opened (Cr. Nos)			Balance in A/cs (in Rs. Cr.)	A/c with zero balance (Cr. Nos)	RuPay Debit Card (Cr. Nos)
	Rural	Urban	Total			
Public Sector Bank	4.93	4.18	9.11	7138.81	6.53	8.45
Regional Rural Bank	1.71	0.30	2.01	1451.31	1.50	1.25
Private Banks	0.20	0.18	0.38	597.95	0.24	0.30
Total	6.84	4.66	11.50	9188.07	8.27	10.00

Source: GoI (2015)

ensure financial inclusion at community level but also to make the Business Correspondents (BC) model effective in reaching the poor villagers through the sponsoring banks. The SHGs can be designated as BCs in the respective villages. The BCs are now servicing low income-customers with low volume transactions in rural areas. The government needs to make this door-step institutional credit delivery a profitable proposition to attract more players in the rural areas. The Government in consultation with the RBI needs to make a strategy so as to ensure optimum usage of these BCs in reaching the remote and poor villagers by adequately incentivising them. Since Primary Agricultural Cooperatives (PACs) have larger presence in rural areas than the commercial bank branches, the banks may use the services of PACs as BCs.

The government has taken steps to transfer subsidies through the bank accounts. While LPG subsidies have been successfully credited to the consumers, large sum of wage payments under Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) to the worker accounts are being disbursed through Aadhaar enabled consumer/worker accounts. To ensure Aadhaar enabled social welfare payments, banks not only should ensure seeding of all bank/ post office/formal accounts with the Aadhaar numbers but also need to strengthen and scale up ATM networks in rural and semi-urban areas where the share of ATMs is weak.

Conclusion & Way Ahead

There is a great rural-urban divide in the spread of bank offices and access to finance from commercial banks and other formal financial sources. While the cooperative credit institutions are facing difficulties, particularly in mobilising adequate internal resources so as to become self-reliant and economically viable units, the distribution of institutional credit to agriculture by commercial banks has lacked equity. The flow of credit from commercial banks has benefited largely the big farmers in comparison to the small and marginal farmers. This necessitates reviewing the existing policy on flow of agri-credit.

PMJDY is supporting the government in achieving the objective of universal financial inclusion. To achieve universal financial inclusion, the available banking infrastructure needs to be reviewed and strengthened. The number of distribution and electronic payment access points need to be expanded in such a way that every person is within 15 minutes walking distance from such an access point.

The PMJDY has created a positive environment and has provided a big push to the government's objective of universal financial inclusion. The success of this Yojana will be judged on the basis of (a) expanding formal banking up till the doorsteps of the rural borrowers (b) making the financing in rural areas profitable and viable (c) expanding financial literacy through central and state programmes (d) reviving cooperatives and bringing them under the Yojana to support the financial inclusion drive in remote and unbanked areas.

(The author is presently posted as Private Secretary to the Minister of State for Agriculture, Ministry of Agriculture, Government of India.)

PRADHAN MANTRI JAN DHAN YOJANA
A MEGA FINANCIAL INCLUSION PROJECT

Dr. Barna Ganguli

Majority of the people in India lives in rural parts of the country. Hence, development of rural India is a key to the economic growth of the country. Financial inclusion or inclusive financing is the delivery of financial services at reasonable costs to sections of underprivileged and low-income segments of society. In India, financial inclusion first made its mark in 2005, in a small village of Mangalam in Puducherry, where all households were provided banking facilities.

Financial Inclusion-A Long Journey:

The efforts to include the financially excluded segments of the society into formal financial system in India are not new. In 2011, the Government of India gave a serious push to the programme by undertaking the 'Swabhimaan' campaign, which aimed to bring banking services to large number of rural areas. However, the 'Swabhimaan' campaign was limited in its approach in terms of access and coverage. Convergence of various aspects of comprehensive financial inclusion like opening of bank accounts, digital access to money (receipt/ credit of money through electronic payment channels), availing of micro credit, insurance and pension was lacking. The operation focused only on the supply side by providing banking facility in villages of population greater than 2000 but the entire characteristics was not targeted. There was no focus on the households. Also some technology issues hampered further scalability of the campaign. Consequently the desired benefits could not be achieved and a large number of bank accounts remained dormant.

From the table given below one can see that the number of households with bank accounts in rural areas increased from 30 per cent to 54 per cent, between 2001 and 2011. A steady 18.2 per cent rise was also witnessed in urban households availing banking services. With this it can be said that financial inclusion has played a remarkable role in rural areas of the country.

Pradhan Mantri Jan Dhan Yojana (PMJDY):

PMJDY was introduced by Prime Minister Shri Narendra Modi on August 15, 2014 to ensure

Learning from the past campaign and shift in approach:

S. No.	Earlier Approach (Swabhiman)	New Approach (Pradhan Mantri Jan Dhan Yojana)
1	Limited geographical coverage and focus on villages with population greater than 2000 covered.	Focus on households, coverage of the whole country.
2	Only rural.	Both urban and rural.
3	Bank 'Mitr' (business correspondent) was visiting on fixed days.	Bank 'mitr' in each sub-service area comprising 1000-1500 households (3 to 4 villages) to visit other villages in sub-service areas on fixed days.
4	Off-line account opening.	Only online account.
5	Focus on account opening and large number of accounts remained dormant.	Account opening to be integrated with DBT, credit, insurance and pension.
6	Inter-operability of accounts was not there.	Inter-operability through RuPay Debit Card, AEPS etc.
7	No use of Mobile Banking.	Mobile wallet and USSD based mobile banking to be utilized.
8	Cumbersome know your client (KYC) formalities.	Simplified KYC/e-KYC in place as per the guidelines of RBI.
9	No guidelines on the remuneration of the bank 'mitr'.	Minimum remuneration of the Bank Mitr (Business Correspondent) to be ` 5000/-(Fixed+ Variable)
10	A recent RBI survey finds that 47% of Bank Mitr are untraceable.	Viability and sustainability of Bank Mitr (Business Correspondent) is identified as a critical component.
11	Monitoring left to banks.	Financial Inclusion campaign in Mission Mode with structured monitoring mechanism at Centre, State and District level.
12	Financial literacy had no focus.	The rural branches of banks to have a dedicated Financial Literacy Cell.
13	No active involvement of states / districts.	State level & District level monitoring committees to be set up.
14	No brand visibility of the Programme & Bank Mitr (Business Correspondent).	Brand visibility for the programme & Bank Mitr (Business Correspondent) proposed.
15	Providing credit facilities were not encouraged.	**OD** limit after satisfactory operations/credit history of 6 months.
16	No grievance redressal mechanism.	Grievance redressal at SLBC level in respective states.

Table1: Position of Households availing banking services

Census	2001			2011		
Households	Total number of households (crore)	Number of households availing banking services (crore)	Percent	Total no. of households (crore)	Number of households availing banking services (crore)	Percent
Rural	13.82	4.16	30.1	16.78	9.14	54.5
Urban	5.37	2.66	49.5	7.89	5.34	67.7
Total	19.19	6.82	35.5	24.67	14.48	58.7

Source: Census, Government of India

'access to various financial services to the excluded sections i.e. weaker sections and low income groups. The scheme envisions universal access to banking facilities with at least one basic banking account for every household. This will promote financial literacy, access to credit and insurance. The beneficiaries will receive a RuPay Debit Card having inbuilt accident insurance cover of Rs1 lakh. In addition, there is a life insurance cover of Rs. 30,000 to those who opened their bank accounts for the first time between 15 August 2014 and 26 January 2015. The scheme has entered the Guinness Book of World Records for opening the majority of bank accounts in the first week of the launch of the scheme.

Table 2: Financial Inclusion: A snap shot

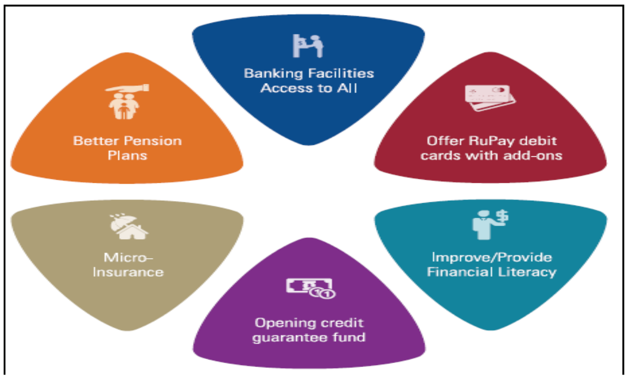
Particulars	2010	2011	2012	2013	2014
Banking outlets in villages					
Branches	33378	34811	37471	40837	46126
Villages covered by BCs	34174	80802	141136	221341	337678
Other modes	142	595	3146	6276	
Total	67674	116208	181753	268454	383804
Urban locations through BCs	447	3771	5891	27143	60730
Basic saving bank accounts-branches					
No in millions	60.19	73.13	81.20	100.80	126.00
Amount in billions	44.33	57.89	109.87	164.69	273.3
Basic saving bank accounts-BCs					
No in millions	13.27	31.63	57.30	81.27	116.90
Amount in billions	10.69	18.23	10.54	18.22	39.00
OD facility availed in BSBD account					
No in millions	0.18	0.61	2.71	3.92	5.90
Amount in billions	0.10	0.26	1.08	1.55	16.00
KCCs (No. in millions)	24.31	27.11	30.24	33.79	39.90

Source: RBI, Annual Report 2013-14

PMJDY was conceived with a view to provide comprehensive and inclusive growth. This is best reflected in Prime Minister Modi's words, *"Sab Ka Saath, Sab Ka Vikaas"*. Targeted at those who have never had a bank account in their lives, the scheme has simplified the whole process of opening an account.

The PMJDY is being implemented in two phases:

In the first phase (till August 14, 2015), every account holder will receive a RuPay debit card, and will be able to use basic mobile banking services, such as balance enquiry. Further, every account holder under the scheme will get an accident insurance cover of Rs.1 lakh. Bank accounts opened between 28 August 2014 and 26 January 2015 would also get life insurance cover worth Rs30, 000. These accounts are also eligible for over draft facility of Rs.5000 based on performance during the first six months. There will also be a financial literacy programme, expansion of direct benefit transfer (DBT) under various schemes through the beneficiaries' bank accounts and issuance of RuPay Kisan Card.



Source: http://pmjdy.gov.in

In the second phase (from August 2015 to 14 August 2018), micro insurance and unorganized sector pension schemes would also be provided. Bank accounts opened after 26 January 2015 would be eligible for life insurance cover and micro insurance in this phase. As it is difficult to spread bank branches across all unbanked areas, Business Correspondents (BCs) will be deployed on a large scale to help carry out the plan.

The programme for financial inclusion under the PMJDY is based on six pillars:

- The country will be divided into a number of sub-service areas (SSA), each with 1,000-1,500 households. One banking outlet (branch or BC) will be established within a distance of five km from every SSA by August 2015.
- One bank account will be ensured for every household by August 2015, along with a RuPay debit card and an accident cover worth Rs.1 lakh. If the credit history is satisfactory during the first six months, the account holder will become eligible for an overdraft worth Rs.5,000.
- Financial literacy programmes will be expanded by August 2015 to spread awareness about

financial services.

- A Credit Guarantee Fund will be created before August 2018 to cover potential defaults in overdrafts.
- All willing and eligible persons will be provided with micro-insurance by August 2018, and
- Pension payments under the Swavalamban Yojana for workers in the unorganised sector will be paid through bank accounts by August 2018.

The implementation strategy

The implementation strategy of the plan is to utilize the existing banking infrastructure as well as expand the same to cover all households. While the existing banking network would be fully geared up to open bank accounts of the uncovered households in both rural and urban areas, the banking sector would also be expanding itself to set up an additional 50,000 business correspondents (BCs), more than 7000 branches and more than 20,000 new ATMs in the first phase. Keeping the firm targets in mind, in the first phase, the plan would focus on first three pillars in the first year starting from 15th August, 2014.The target for setting up additional 50,000 BCs is quite challenging given the constraints of telecom connectivity. In order to achieve this plan, phase wise and State wise targets for Banks have been set up for Banks for the period 15th August, 2014 to 14th August, 2015. Role of various stakeholders like other departments of the Central Government, state Governments, RBI, NABARD, NPCI and others have been indicated. Gram Dak Sewaks in rural areas are proposed as Business Correspondent of Banks. Department of Telecom has been requested to ensure that problems of poor and no connectivity are resolved.

Why is it important?

Right now, most Indian households rely on money-lenders and other chit fund sources for credit to fulfil savings needs. Bank accounts for all may solve this problem. Easy access to the banking system (and freedom from scam-artists and moneylenders) can materially lift India's economic prosperity. Financial accessibility as promised by the PMJDY would certainly help generate higher saving. If bank accounts become the norm, it will also be easier for the Government to directly pay all subsidies into the accounts of the poor, instead of dispensing them through the vast leaky network of government agencies. The PMJDY promises an overdraft or credit facility this would increase the poor's access to credit, and thereby positively affect welfare, confidence of decision making and trust in carrying economic activities. Further, insurance coverage of Rs one lakh would help poor account holders mitigate risk and deal with shocks.

Conclusion

"*Sab ka Saath, Sab ka Vikas*" – the slogan can only be fulfilled by proper implementation of PMJDY-a mega tool for financial inclusion. Financial strengthening means progress of poor and deprived class leading to enhancement in economic well being of the society.

(The author is Assistant Professor, Centre for Economic Policy and Public Finance (CEPPF). CEPPF is a research cell of Finance Department) Patna.

SPECIAL BENEFITS UNDER PMJDY SCHEME

1. Interest on deposit
2. Accidental insurance cover of Rs.1.00 lakh
3. No minimum balance required.
4. Life insurance cover of Rs.30, 000
5. Easy Transfer of money across India
6. Beneficiaries of Government Schemes will get Direct Benefit Transfer in these accounts.
7. After satisfactory operation of the account for 6 months, an overdraft facility will be permitted
8. Access to Pension, insurance products
9. Accidental Insurance Cover, RuPay Debit Card must be used at least once in 45 days
10. Overdraft facility up to Rs.5000/- is available in only one account per household, preferably lady of the household

CROP INSURANCE SCHEMES FOR FARMERS NEED FOR FOCUSED ATTENTION

Dr Gopal Kalkoti

In the context of annual feature of drought and flood in one or the other parts of the country, climate change and sustainable food security agricultural insurance has been a *sine qua non.* Despite farmer's access to yield-sustaining agricultural technology and institutional credit unpredictability in crop output stems from pestilence, price volatility in markets and natural disasters. In India, about 90 per cent of the variation in production is caused by changes in rainfall patterns. Agricultural Insurance Company of India implements crop insurance scheme to protect farmers from agricultural variability, mainly weather-induced. The scheme, based on 'Area Approach' is implemented in 25 states and two union territories. The scheme is offered to all farmers, loanee and non-loanee, irrespective of their size of holding. It covers cereals, millets, pulses, oilseeds and annual commercial/ horticultural crops viz. sugarcane, potato, cotton, ginger, onion, turmeric, chillies, pineapple, annual banana, jute, tapioca, coriander, cumin, and garlic for which yield data for adequate number of years are available. This article briefly highlights the Government's initiatives in introducing crop insurance schemes, their overall performance and suggests the focused areas to make the scheme reach large number of farmers.

Government Initiatives

National Crop Insurance Programme (NCIP): The NCIP launched in 2013 has unit area of insurance reduced to the village/village panchayat level. It helps farmers to compensate losses in crop yield, maintain credit flow and adopt latest agricultural technology.

It has three components.

[A] Modified National Agricultural Insurance Scheme (MNAIS).

[B] Weather Based Crop insurance Scheme (WBCIS).

[C] Coconut Palm Insurance Scheme (CPIS).

Modified National Agriculture Insurance Scheme:

Based on the recommendations of the Joint Group constituted in 2004, to suggest improvements in the existing crop insurance scheme, a pilot project on MNAIS was implemented in 50 districts from 2010-11 Rabi season.

The major improvements of MNAIS over NAIS include:-

- Reduction in unit area of Insurance to village/ village panchayat.
- Charging actuarial premium rates for insuring crops.
- Involving private insurance companies.
- Increasing subsidy in premium up to 75 per cent.
- More realistic calculation of threshold yield (average yield of last 7 years excluding up to two years of declared natural calamity).
- Minimum indemnity level of 70 per cent instead of 60 per cent in NAIS.
- Indemnity amount for prevented sowing/ planting risks and for post-harvest losses.
- Payment up to 25 per cent of likely claims in advance to provide immediate relief to farmers during adverse season.
- Individual assessment of claims in case of specified localized calamity like the hailstorm or landslide.
- Uniform norms for both loanee and non loanee farmers.

It covers three types of crops.

[A] Food crops which include cereals, millets and pulses.

[B] Oilseeds.

[c] Annual Commercial / Horticultural crops. The state government notifies specified crops for which data on yield are available for adequate number of years.

Thus, it does not cover all crops. The State Government/ union territories can select the insurance company out of those public and private sector insurance companies, which IRDA has approved, to conduct a general insurance business in India and Union Government has empanelled. This scheme is available to all categories/types of farmers, viz. loanees and non-loanees irrespective of size of holding including share croppers and tenant farmers. It is, however, compulsory for loanees i.e. those who have been financed by financial institutions. Farmers are free to select the insurance company.

Broadly, the scheme covers three stages of crop production. They are as follows:-

[A] **Stage 1:** Planting or sowing. Whether the crop was prevented from planting / sowing due to deficit rainfalls and adverse seasonal conditions.

[B] **Stage 2:** Covering standing crops which got damaged due to unpreventable risks such as drought, flood, infestation of pests, landslides, wildfire, storms, cyclones etc.

[C] **Stage 3:** The time period of two weeks after harvesting, when the crops are allowed to dry in field but get damaged/ destroyed because of cyclonic rains, hailstorms etc.

Premium is calculated on actuarial basis implying that there is higher premium for riskier crops. When a farmer pays actuarial premium to insure crops, the entire liability of claim is on insurer. Insurance companies have to define the premium rates for notified crops in accordance with the prescribed standard actuarial methodology of the IRDA. Government has, however, put a cap on maximum premium to be collected, viz. [a] 11 per cent for Kharif season [b] 9 per cent for Rabi food crops. [c]13 per cent for annual commercial crops and horticultural crops. However, the premium for specific crops and specified areas may be raised above the given caps also. In this case, the sum assured is deducted as per the capped amount. Farmers are provided subsidy on premium for insuring their crops if the premium amount is more than 2 per cent of the sum assured.

The subsidy is as follows:

- If premium is less than 2 per cent of sum assured – No subsidy provided

- If Premium is between 2-5 per cent, subsidy provided is 40 per cent
- If premium is between 5-10 per cent, subsidy provided is 50 per cent
- If premium is between 10-15 per cent, subsidy provided is 60 per cent
- If premium is above 15 per cent, subsidy provided is 75 per cent
- Thus, Government subsidises farmers when premium is high because of high risk.
- Following table exhibits the progress in terms of number of farmers and area insured etc.

Weather Based Crop Insurance Scheme: For bringing more farmers under crop insurance and overcoming the shortcomings, particularly claim-amount and delaying settlement of claims under NAIS, a pilot project on WBCIS was implemented in 20 States in 2007-08 and now it is implemented as full-fledged component of NCIP from Rabi 2013-14 season. WBCIS intends to provide insurance protection to the farmers against adverse weather incidence, such as deficient/excess rainfall, high or low temperature, humidity etc., which can impact crop production. WBCIS envisages charging actuarial rates of premium. However, to make the scheme affordable, Government subsidizes farmers upto 50 per cent of the premium amount. Actuarial rates of premium are capped at 10 per cent during Kharif and 8 per cent during Rabi for food crops and oilseeds, 12 per cent for annual commercial/ horticultural crops. It covers all farmers irrespective of their size of holding. It is compulsory for loanee-farmers in a notified area for notified crops.

Following Table exhibits the progress in nutshell.

Often weather conditions vary within a taluka/ sub-district making it difficult to assess insurance claims and estimate crop yields. Taking the public-private-partnerships funding model to help farmers. Maharashtra government has proposed a network of 2025 automatic weather stations in the state. Each weather station would record weather parameters like air temperature, relative humidity, wind speed and direction, rainfall and solar radiation etc. Analysis of weather data would help settle insurance claims, advice farmers on crop patterns, develop pest and disease forewarning models and rainfall forecast. Andhra Pradesh and Tamil Nadu have established state-wide weather stations to assist farmers and settle insurance claims. Malawi has demonstrated successful experiment on weather-based crop insurance.

Coconut Palm Insurance Scheme: There is a separate insurance scheme for coconut palm growers because of reasons viz. coconut is cultivated under rain-fed conditions and is susceptible to biotic and abiotic stresses. Although it is a perennial crop its cultivation is subjected to risks because of climatic changes, natural disasters, pests and diseases etc. Palm trees are characterized by periodic system of crop setting and outcomes and hence resemble seasonal annual crops. CPIS which was implemented as pilot project from 2009-10, in the selected areas of Andhra Pradesh, Goa, Karnataka, Kerala, Maharashtra, Odisha, Tamil Nadu and West Bengalis now implemented by the Coconut Development Board [CDB] as a full-fledged scheme in all coconut growing states. Insurance covers total loss of the individual palm in the age group of 4 to 60 years for dwarf and hybrid and 7-60 years for tall variety, leading to either death of palm or the palm becoming useless due to various natural and other

Table 1: Progress till Rabi Season 2014-15

(Rs. In Lakh)

No. of Farmers Insured	Area Insured (Ha)	Sum Insured	Gross Premium	Claims	No. of Farmers Benefitted
9864623	9966220.3	2341539.46	217797.22	170786.9	1794259

Table 2: Total coverage from Kharif 2007 to Rabi 2014-15.

(**Rs. in Lakh)**

No. of Farmers Insured	Area Insured (Ha)	Sum Insured	Gross Premium	Claims	No. of Farmers Benefitted
52102263	68736896.22	9246292.33	846521.3	571479.1	31355947

Table 3
The coverage under CPIS as on 31/12/2014(Rs. in Lakh)

No. of Farmers	No. of Palmsn	Sum Insured	Gross Premium	Claims	No. of Farmers Benefitted
70903	4022028	43383.3	255.67	302.58	6310

perils. The farmer should have at least 05 healthy nut bearing Palms in the age group of 4 to 60 years in contiguous area/plot and should have been enrolled by state agriculture/horticulture department or CDB or any other such agency under rehabilitation/ development/expansion scheme. Considering the age of specific palm the Union and state Government contributes 50 per cent and 25 per cent of premium respectively, leaving 25 per cent for farmers.

Following Table exhibits the progress.

Focused Attention: Despite of the launch of various crop insurance schemes, it seems very limited purpose has been served. The coverage in terms of area, number of farmers and value of agricultural output is very small, payment of indemnity based on area approach miss affected farmers outside the compensated area, and schemes are not financially sustainable. Some micro-finance institutes [MFI] offer micro-insurance to protect life, health and assets of low-income households in urban areas, but not in rural areas. Though micro-insurance has the potential to lift poor out of poverty and improve quality of human life it has yet to make a determined penetration in rural areas on the expected scale on par with microcredit. MFIs valuable experience should help understand the ground realities and design farmer-friendly products in respect of agricultural insurance rather than confining to crop insurance only. Following are the aspects that need focused attention.

- There should be concern and commitment to ensure that the scheme penetrates widely and covers large number of farmers. A massive campaign is necessary to create awareness among farmers, convince them about the utility of the schemes and the procedure for settlement of claims. A road map should be prepared to ensure that progressively all farmers are covered in a period of five years. In this effort, the Service Area Approach and assistance of the district offices of the NABARD can be of great help to Government, Insurance Companies and Banks.
- Insurance products must be farmer-friendly and they need to be designed in consultation with them taking account of the current experiences. Research studies need to be intensified to understand as to why the schemes have not been reaching to the intended beneficiaries despite subsidizing them. For this, Action Research Project in each State and agro-ecological region should be mounted.
- Farmers should be encouraged to share their experiences among them.
- Immediate need is to identify the minimum infrastructure required and mobilize resources and formulate a systematic plan to put infrastructure in place.
- Public and private companies must devote more resources [money, manpower and time] to design the insurance products best suited to farmers according to the distinct agro-ecological regions rather than one-size-fits –all.
- Insurance needs of rural areas, more importantly of farmers [small, marginal and tenant farmers, share croppersoral lessees. landless laborers, women farmers] include life and non-life insurance products, viz. insurance cover for life, accident, medical/health, farm-assets/ equipment/investments, cattle and livestock, among others. This necessitates continuous research and field studies to design products, test them, redesign and promote them through appropriate information and communication technology involving mass media.
- India can share its experiences and learn from several other developing and developed countries to improve the agricultural insurance products and marketing techniques among farmers.

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JAN DHAN SE JAN SURAKSHA TAK

The government has launched three social security schemes.

The schemes -- two insurance products and one pension product -- are targeted especially to the unorganised sector and economically weaker population but others can enrolled themselves as well.

The new life insurance plan -- the Pradhan Mantri Jeevan Jyoti Bima Yojana will offer Rs 2 lakh cover at Rs 330 premium every year. Bank account holders in the age 18 to 50 years are eligible to take this facility. The life risk cover will get terminated after 55 years.

Pradhan Mantri Suraksha Bima Yojana will offer a renewable one year accidental death cum disability cover of Rs 2 lakh at Rs 12 premium every year. The insured will get Rs 1 lakh in case of partial permanent disability.

Multiple bank account holders are eligible to join the schemes through any one of the savings accounts.

Atal Pension Yojana is for the people in the unorganised sector who are outside a formal pension net so far.

The pension scheme would allow subscribers of age 18 to 40. Under this scheme, subscriber will get guaranteed minimum pension from the age of 60. The pension could be Rs 1000, Rs 2000, Rs 3000, Rs 4000 or Rs 5000 per month, depending on the size of contribution.

FAQs on PRADHAN MANTRI JEEVAN JYOTI BIMA YOJANA (PMJJBY)

Pradhan Mantri Jeevan Jyoti Bima Yojana

Q1. What is the nature of the scheme?

The scheme is a one year cover Term Life Insurance Scheme, renewable from year to year, offering life insurance cover for death due to any reason.

Q2. What would be the benefits under the scheme and premium payable?

Rs.2 lakhs is payable on a subscriber's death due to any reason. The premium payable is Rs.330/- per annum per subscriber.

Q3. How will the premium be paid?

The premium will be deducted from the account holder's bank account through 'auto debit' facility in one instalment, as per the consent to be given on enrolment. Members may also give one-time mandate for auto-debit every year till the scheme is in force, subject to re-calibration that may be deemed necessary on review of experience of the scheme.

Q4. Who will offer / administer the scheme?

The scheme would be offered / administered through LIC and other Life Insurance companies willing to offer the product with necessary approvals on similar terms, in collaboration with participating Banks. Participating banks are free to engage any such life insurance company for implementing the scheme for their subscribers.

Q5. Who will be eligible to subscribe?

All individual (single or joint) bank account holders in the age 18 to 50 years in participating banks will be entitled to join. In case of multiple bank accounts held by an individual in one or different banks, the person would be eligible to join the scheme through one bank account only.

Q6. What is the enrolment period and modality?

Initially on launch for the cover period from 1st June 2015 to 31st May 2016 subscribers were expected to enrol and give their auto-debit option by 31st May 2015, which has been extended up to 31st August 2015. Enrolment subsequent to this date will be possible prospectively on payment of full annual payment and submission of a self-certificate of good health. Subscribers who wish to continue beyond the first year will be expected to give their consent for auto-debit before each successive May 31st for successive years. Delayed renewal subsequent to this date will be possible on payment of full annual premium and submission of a self-certificate of good health.

FAQs on PRADHAN MANTRI SURAKSHA BIMA YOJANA

Pradhan Mantri Suraksha Bima Yojana

Q1. What is the nature of the scheme?

The scheme will be a one year cover Personal Accident Insurance Scheme, renewable from year to year, offering protection against death or disability due to accident.

Q2. What would be the benefits under the scheme and premium payable?

The benefits are as follows: Table of Benefits Sum Insured a. Death Rs. 2 Lakh b. Total and irrecoverable loss of both eyes or loss of use of both hands or feet or loss of sight of one eye and loss of use of hand or foot Rs. 2 Lakh c. Total and irrecoverable loss of sight of one eye or loss of use of one hand or foot Rs. 1 Lakh Premium payable is Rs.12/- per annum per member.

Q3. How will the premium be paid?

The premium will be deducted from the account holder's savings bank account through 'auto debit' facility in one installment, as per the option to be given on enrolment. Members may also give one-time mandate for auto-debit every year till the scheme is in force, subject to re-calibration that may be deemed necessary on review of experience of the scheme from year to year.

Q4. Who will offer / administer the scheme?

The scheme would be offered / administered through the Public Sector General Insurance Companies (PSGICs) and other General Insurance companies willing to offer the product with necessary approvals on similar terms, in collaboration with participating Banks. Participating banks will be free to engage any such general insurance company for implementing the scheme for their subscribers.

Q5. Who will be eligible to subscribe?

All savings bank account holders in the age 18 to 70 years in participating banks will be entitled to join. In case of multiple saving bank accounts held by an individual in one or different banks, the person would be eligible to join the scheme through one savings bank account only.

Q6. What is the enrolment period and modality?

Initially on launch for the cover period from 1st June 2015 to 31st May 2016 subscribers are expected to enroll and give their auto-debit option by 31st May 2015, extendable up to 31st August 2015. Enrolment subsequent to this date may be possible prospectively on payment of full annual payment, subject to conditions that may be laid down. Subscribers who wish to continue beyond the first year will be expected to give their consent for auto-debit before each successive May 31st for successive years. Delayed renewal subsequent to this date may be possible on payment of full annual premium, subject to conditions that may be laid down.

FAQs on ATAL PENSION YOJANA

1. What is Pension? Why do I need it?

A Pension provides people with a monthly income when they are no longer earning.

Need for Pension:

- Decreased income earning potential with age.
- The rise of nuclear family-Migration of earning members.
- Rise in cost of living.
- Increased longevity.
- Assured monthly income ensures dignified life in old age.

2. What is Atal Pension Yojana?

   Atal Pension Yojana (APY), a pension scheme for citizens of India focussed on the unorganised sector workers. Under the APY, guaranteed minimum pension of Rs. 1,000/-, 2,000/-, 3,000/-, 4,000 and 5,000/- per month will be given at the age of 60 years depending on the contributions by the subscribers.

3. Who can subscribe to APY?

Any Citizen of India can join APY scheme. The following are the eligibility criteria,

i. The age of the subscriber should be between 18 - 40 years.

ii. He / She should have a savings bank account/ open a savings bank account.

iii. The prospective applicant should be in possession of mobile number and its details are to be furnished to the bank during registration.

- Government co-contribution is available for 5 years, i.e., from 2015-16 to 2019-20 for the subscribers who join the scheme during the period from 1st June, 2015 to 31st December, 2015 and who are not covered by any Statutory Social Security Schemes and are not income tax payers.

4. Who are the other social security schemes beneficiaries not eligible to receive Government co-contribution under APY?

Beneficiaries who are covered under statutory social security schemes are not eligible to receive Government co-contribution. For example, members of the Social Security Schemes under the following enactments would not be eligible to receive Government co-contribution:

i. Employees' Provident Fund & Miscellaneous Provision Act, 1952.

ii. The Coal Mines Provident Fund and Miscellaneous Provision Act, 1948.

iii. Assam Tea Plantation Provident Fund and Miscellaneous Provision, 1955.

iv. Seamens' Provident Fund Act, 1966.

v. Jammu Kashmir Employees' Provident Fund & Miscellaneous Provision Act, 1961.

vi. Any other statutory social security scheme.

5. How much pension will be received under APY?

Guaranteed minimum pension of Rs 1,000/-, 2,000/-, 3,000/-, 4,000 and 5,000/- per month will be given at the age of 60 years depending on the contributions by the subscribers.

6. What is the benefit in joining APY scheme?

In APY, Government will co-contribute 50% of the total contribution or Rs. 1,000/- per annum, whichever is lower, to the eligible APY account holders who join the scheme during the period 1st June, 2015 to 31st December, 2015. The Government cocontribution will be given for 5 years from FY 2015-16 to 2019-20.

(Source: pmjdy.gov.in)

UNLEASHING THE POTENTIAL OF RURAL ECONOMY: FINANCIAL INCLUSION THROUGH JAN DHAN YOJANA

Dr. Sanjay Tiwari

India is on the verge of becoming the youngest nation, largest market, hub of skilled human resource and IT driven service economy by the year 2030. The two decades of growth is attributed to the burgeoning services sector pushed up by economic reforms and has been mainly urban-centric, but the trends of urbanisation, shifting of rural population to urban areas, changing patterns of consumption, increasing number of educated middle class and ICT enabled technology advances in rural economy are also important factors in writing the growth story. Until now the agriculture based rural sector has witnessed sluggish growth and lesser investment, there seems a ray of hope in recent years as far as inclusive growth of rural India is concerned. Among other types of inclusion like educational inclusion, digital inclusion, social inclusion and technological inclusion, financial inclusion is most crucial as it creates a base for any kind of inclusion. Unfortunately, rural India has been financially excluded for many years despite every possible plan efforts. As per the Mackinsey report (2011), only 41 per cent of the rural households have saving bank accounts and 79 per cent rural households do not have access to credit facilities from formal sources. The dependence on unorganised form of credit also poses a big challenge to the financial inclusion efforts by the government, as about 80 per cent of the people still go for open unregulated channels of financing including money lenders and brokers at higher rates of interest. This article focuses on how the rural economy can grow with the financial inclusion plans of the present government and up to what extent the potential strength of rural India can be unleashed in future with the support of financial inclusion initiatives.

Financial inclusion becomes more relevant for rural economy because of its population size, potential market and changing income levels and consumption pattern.

Various dimensions of financial inclusion-

Branch Penetration

Penetration of a bank branch is measured as number of bank branches per one lakh population. This refers to the penetration of commercial bank branches and ATMs for the provision of maximum formal financial services to the rural population.

Credit Penetration

Credit Penetration takes the average of the three measures--number of loan accounts per one lakh population, number of small borrower loan accounts per one lakh population and number of agriculture advances per one lakh population.

Deposit Penetration

Deposit penetration can be measured as the

number of saving deposit accounts per one lakh population. With the help of this measure, the extent of the usage of formal credit system can be analysed.

Need of Financial Inclusion for Rural India

Before discussing on the need of financial inclusion in rural India, it would be pertinent to have a look at the socio-economic picture of rural economy. Rural India accounts for about 68 per cent of country's population and three fourth of the population depend upon agriculture. Though the share of agriculture in GDP has declined from 29.34 per cent in 1991 to 13.72 per cent in 2012, 58 per cent of employment opportunities lie in rural sector. The growth rate in agriculture sector has been very low i.e. only 2.8 per cent during 1991 to 2012 which is relatively demotivating as compared to urban sector. Rural India constitutes about 6.4 lakh villages, but only 24,000 villages have bank branches with full-fledged services.

Table 1 below displays the progress of financial inclusion by both banks and regional rural banks (RRBs) during the four years period.

Potentialities of rural economy

It is estimated that 12.2 per cent of the world's consumers live in India and rural households comprises of 70 per cent of the total households, thereby acquiring a rural consumer market of about 720 million people. The rising income level coupled with increasing expenditure on consumption in rural economy is providing strength for growth. There is a shifting income pattern of rural population over the years and the increasing proportion of lower middle class, middle class and upper middle class has increased

Table 1: Progress of Financial inclusion by Banks and RRBs.

	Year ended March, 2010	Year ended March, 2014
Banking Outlets in Villages- Branches	33,378	46,126
Banking Outlets in Villages- Branchless Mode	34,316	3,37,678
Banking Outlets in Villages- Total	67,694	3,83,804
Urban Locations covered through BCs	447	60,730
Basic Savings Bank Deposit A/c through branches (No. in millions)	60.2	126.0
Basic Savings Bank Deposit A/c through branches (Amt. in billions)	44.3	273.3
Basic Savings Bank Deposit A/c through BCs (No. in millions)	13.3	116.9
Basic Savings Bank Deposit A/c through BCs (Amt. in billions)	10.7	39.0
Basic Savings Bank Deposit Accounts Total (No. in millions)	73.5	243.0
Basic Savings Bank Deposit Accounts Total (Amt. in billions)	55.0	312.3
Overdraft facility availed in Basic Savings Bank Deposit Accounts (No. in millions)	0.2	5.9
Overdraft facility availed in Basic Savings Bank Deposit Accounts (Amt. in billions)	0.1	16.0
KCCs – (No. in millions)	24.3	39.9
KCCs – (Amt. in billions)	1,240.1	3,684.5
GCC - (No. in millions)	1.4	7.4
GCC - (Amt. in billions)	35.1	1,096.9
Information and Communication Technology A/Cs-BC- Transaction - (No. in millions) (During the year).	26.5	328.6
Information and Communication Technology A/Cs-BC- Transactions - (Amt. in billion) (During the year).	6.9	524.4

Source: RBI Annual Report, 2013-14.
Note: BC-Business Correspondence, KCC-Kisan Credit Cards, GCC-General Credit Cards.

the scope of financial services delivery (table 2). This shift is due to the increase in non-agricultural activities due to mobility and multiple occupations in rural households as NCAER report predicts 25% of rural households totally depend on non farming income. The changing expenditure trend of rural population over the years reveals that rural spending was Rs. 3750 billion in 2011-12 relatively more than urban population (NSSO). According to MART, rural India buys 46% of soft drinks, 49% of motorcycles, and 59% of cigarettes. Rural market accounts for 56% of the total Fast Moving Consumer Goods (FMCG) demand and 60% of the country's annual consumption of gold/ jewellery is from rural India.

The increasing usage of mobile phones by rural population has emerged as one of the potential source of financial inclusion. According to TRAI (2014), 74 percent of households possess a mobile phone, and out of the total subscription base of 933 million, about 40.5 percent comes from rural areas. India, including in the semi-urban and rural areas, is witnessing important trends such as huge growth in smart-phone segment of mobile phones, and increased access to internet enabled communication enhancing the possibilities of disbursement of financial services to large masses. With an annual turnover of Rs. 2000 crore and growth rate of 7.5% in dairy products including milk, India is poised to become the largest market ready to usher in another white revolution. Need of warehousing infrastructure for ensuring cost effective and efficient delivery of vegetables and fruits (30% produces get spoilt due to lack of ware housing facilities) has generated a scope for banks and financial institutions so that direct producers can get fair prices of their produces. Increasing literacy rates in rural areas, demand of housing, automobiles, electronic products and educational loans are other opportunities to be tapped by retail banks, hence initiating the financial inclusion drives with more zeal.

Recent Initiatives of Financial Inclusion

With the launch of *Pradhan Mantri Jan Dhan Yojana* in August 2014, India has ushered into a new regime of financial inclusion. The Jan DhanYojana, announced by Prime Minister Narendra Modi on August 15 and launched on August 28, envisages access to banking services to all un-banked individuals in India. Under PMJDY, 75 million people would be provided with a bank account and an overdraft facility of Rs 5,000 each. Further, every account holder will be provided a debit card *RuPay* and Rs. 1 lakh accident insurance cover. Those opening an account before January 26, 2015, will also be entitled to avail of a life insurance cover of Rs 30,000.

The scheme would also facilitate the use of mobile banking among the poor through the National Unified USSD Platform (NUUP). The NUUP would allow customers to access banking services using a single number across all banks, irrespective of the telecom provider or mobile handset being used (National Payments Corporation of India, 2014).

Initially, banks were given a target to open 75 million accounts by the middle of August 2015. After banks had opened about 15 million accounts by this August, the date was forwarded to January 26, 2015.

Benefits of PMJDY based financial inclusion to the rural population

A look at the data shown in table 3 below reveals that the banks have shown interest in PMJDY drive with opening of about 60% accounts

Table 2: Rural Income Patterns (% of population moving in upper income groups)

Year	Upper	Upper Middle	Middle	Lower Middle	Lower
1995-96	2.1	3.1	8.6	29.0	57.2
2001-02	3.6	4.1	10.1	39.5	42.7
2005-06	5.2	5.0	13.8	43.5	32.5
2009-10	8.1	6.1	22.7	42.5	20.6

Source: NSSO

Table 3: No. of Accounts opened under PMJDY (As on 31.01.2015)						
Bank	**Rural**	**Urban**	**No. of Accounts**	**No. of Rupay Debit Cards**	**Balance in Accounts (Rs. Lakhs)**	**No. of Accounts with zero balance**
Public Sector Bank	53300249 (54%)	45147276 (46%)	98447525	91232024 (92.7%)	817463.04	65541407 (66.6%)
Regional Rural Bank	18489448 (85%)	3297833 (15%)	21787281	14967614 **(69%)**	159948.08	15935405 (73%)
Private Banks	3226397 (61.5%)	2012086 (38.5%)	5238483	4593161 (87.6%)	72551.50	2996917 (57%)
Grand total	75016094 (59.7%)	50457195 (41.3%)	125473289	110792799 (88%)	1049962.62	84473729 (67%)

Source: RBI
Note: Figures in parentheses show percentage of total number of accounts.

for the rural people and 88% of the account holders received debit cards Rupay. It is also heartening to observe that private sector banks have shown more zeal to open 61.5% of the accounts for rural people under PMJDY scheme. A total of 67% accounts under PMJDY have been opened with zero balance making even the poorest of the people financially included. Increasing productivity in agriculture and related activities are necessary pre conditions which can be ensured by boosting investment in agriculture and agro based industries. Banks have enough opportunities to lend to the farmers for farm mechanisation, agriculture bio-technology and funding new age entrepreneurs for promoting agro based industries like milk, eggs, fruits, vegetables and pulses in rural areas.. Thus, the next phase of financial inclusion should emphasise on creation of productive assets and entrepreneurship development in farm sector which will surely add value to the GDP and improve the quality of life in rural India.

Conclusion

The Reserve Bank of India, Government and banks are making sufficient efforts to include a substantial portion of rural population in financial inclusion drive by devising various plans, strategies and schemes and with the introduction of PMJDY the pace of financial inclusion has picked up as evident in the spiralling figures of banks accounts and debit cards. Merely account opening should not be the sole motive, but to make these accounts active in terms of generating productive assets which can increase income of the rural people must be focused upon. It is apparent from the discussion above that in spite of lower investment in agriculture, sluggish growth rate and disguised unemployment in rural sector, there exists a massive potential in terms of income, expenditure, education, housing, consumption, new job opportunities, life style and entrepreneurship in rural India. The effectiveness of the financial inclusion schemes will depend upon the quality of financial inclusion which may be ensured through design of innovative financial products, generation of productive assets, creation of income opportunities, efficient delivery of financial products, integration of rural urban economies through banking services, establishing a better forward and backward linkage of supply chain, promotion of agro-based industries and rural entrepreneurship by leveraging the potentialities of rural economy.

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The increasing usage of mobile phones by rural population has emerged as one of the potential source of financial inclusion.

FINANCIAL INCLUSION - AN APPRAISAL

Dr. Abhijit Sarkar

Financial inclusion in simple sense is incorporating more and more people within the financial sector periphery from all the sections of the society in the form of access to financial services like savings accounts, access to formal credit, making people financially literate and so on.

Various measures have been undertaken by the Reserve Bank of India and Government of India from time to time to increase the level of financial inclusion. Nationalization of banks in 1969, priority sector lending, establishment of regional rural banks (RRBs) in 1975, establishment of National Bank for Agriculture and Rural Development in 1982, adoption of Service area approach in 1989, initiation of Self-help group-bank linkage program in 1990, Kisan Credit Card Scheme, Special Agricultural Credit Plans (SACP), more recently Pradhanmantri Jan Dhan Yojana in 2014 are some of the noteworthy measures. Opening of No-frill accounts, usage of regional languages, easier account opening formalities, simplified KYC norms, usage of information technology like smart cards, mobile banking, ATM card, launching of Micro Units Development Refinance Agency (MUDRA) Bank *etc.* and adoption of measures for making people financially literate has accentuated financial inclusion procedure.

However, the level of financial inclusion in India can be measured from the perspective of number of bank branches per one lakh population, availability of formal credit and also number of saving deposit accounts per one lakh population.

Bank Branches for Financial Inclusion

Considering the application of banks for opening branches, RBI gives due weightage to the nature and scope of banking facilities provided to common person, particularly in unbanked areas, actual flow of credit to the priority sector, pricing of its products and overall efforts for promoting financial inclusion including introduction of appropriate new products and enhanced use of technology for delivery of banking services. RBI has identified districts where the population per bank office is higher than national average in rural and semi-urban areas. The lead banks have been advised by RBI to identify

unbanked villages of populations above 2000 and to provide banking services through a banking outlet in every village by March 2011. It is most expected that, with increase in the intensity of banks in the rural, semi-urban, urban as well as unexplored areas, the number of savings accounts and amount of credit advancement will increase. Population group-wise number of branches of scheduled commercial banks show increase in number of banks in all areas, but the annual average growth rate sometimes has shown dismal picture.

During the initial years after the nationalization of banks, the growth rate was much higher. During nineties and the next decade the growth rate of bank branches in the rural areas was even negative, that clearly goes against the very objective of including the rural and unprivileged areas under financial inclusion. The semi-urban areas also experienced almost the same scenario. However, the last few years experienced a satisfactory growth rate in the rural as well as semi-urban areas. All scheduled commercial banks taken together, the annual growth rate over previous year was 18.58 in 1971, 0.78 in 1991 & 2001 and 9.69 in 2014. Nevertheless, the absolute number of bank branches is increasing. It is quite encouraging that in 2014 growth rate of bank branches was highest in rural (12.54 percent) and semi-urban (9.84 percent) areas. It is worth-mentioning that a tribal block Mandwai in Tripura has been recognized at the national level and awarded for excellence in advancing financial services available to every family in the block and for strengthening banking infrastructure.

Savings Deposits in Banks

The Reserve Bank of India (RBI) has taken a proactive role in ushering the enabling environment for expediting financial inclusion across length and breadth of the country through bank led model. To reach out at 400 million plus unbanked population at pace with profitability is the single most important challenge faced by the multi-stakeholders, particularly banks and delivery channels. So efforts have been made to set up new branches in unbanked areas. With the increase in number of banks, it is an accepted phenomenon that the savings or total deposit would consequently increase. More and more

Table 1: Population Group-Wise Number of Branches of Scheduled Commercial Banks

Year	Rural	Semi-Urban	Urban	Metropolitan	Total
1971	4280 (39.73)	4040 (8.66)	1949 (11.75)	1744 (8.59)	12013 (18.58)
1981	17656 (16.89)	8471 (4.30)	5454 (5.33)	4126 (2.79)	35707 (10.14)
1991	35206 (1.19)	11344 (0.18)	8046 (0.05)	5624 (0.52)	60220 (0.78)
2001	32562 (-0.53)	14597 (1.32)	10293 (2.40)	8467 (3.02)	65919 (0.78)
2005	32082 (-0.12)	15403 (2.07)	11500 (4.55)	9370 (4.39)	68355 (1.74)
2009	31445 (2.22)	19080 (7.25)	15269 (7.23)	14151 (7.17)	79945 (5.20)
2012	36531 (7.62)	25822 (11.80)	18852 (7.03)	17268 (6.19)	98473 (8.31)
2013	39718 (8.72)	28494 (10.35)	19873 (5.42)	18081 (4.71)	106166 (7.81)
2014	44699 (12.54)	31298 (9.84)	21310 (7.23)	19143 (5.87)	116450 (9.69)

Source: Reserve Bank of India
Note: Figures in parenthesis indicate annual growth rate

people have been encouraged for opening new accounts under various schemes. Even people are encouraged to open 'No-frill accounts' with zero balances with the expectation that not all people would keep their accounts with no-money.

There is considerable increase in number of accounts in all respects. The annual average growth rate has increased after 2005. The growth in number of accounts is quite impressive in the rural and semi-urban areas compared to the banks in urban and metropolitan areas. Though not reflected in table 2, the newly introduced Pradhanmantri Jan Dhan Yojana has added impetus to the number of accounts. Till 01.07.2015, 16.57 crores accounts have been opened under this yojana, out of which 12.94 crores are in public sector banks and 2.95 crores in regional rural banks. Emphasis has been laid in opening more accounts in rural areas. It is interesting to note that, 51.48 percent of these accounts are zero-balance accounts (Source: pmjdy.gov.in/account-statistics-country.aspx).

Table 2: Number of Accounts in Scheduled Commercial Banks (in thousands) – According to Population Group

Year	Rural	Semi-urban	Urban	Metropolitan	Total
1981	34862 (23.38)	43690 (16.01)	33878 (13.03)	31197 (11.25)	143627 (15.90)
1991	108876 (6.62)	98084 (6.25)	80889 (6.79)	67342 (6.66)	355191 (6.66)
2001	131723 (4.66)	116400 (2.01)	92769 (3.27)	87137 (4.96)	428029 (3.69)
2005	141908 (2.27)	125198 (3.77)	101376 (1.81)	98310 (0.14)	466793 (2.11)
2009	199695 (18.84)	169725 (14.40)	142272 (11.13)	150611 (9.74)	662302 (13.86)
2012	283072 (13.11)	239951 (13.16)	180626 (7.49)	199551 (10.99)	903200 (11.49)
2013	335347 (18.47)	283990 (18.35)	203091 (12.44)	222677 (11.59)	1045105 (15.71)

Source: Reserve Bank of India
Note: Figures in parenthesis indicate annual growth rate

Table 3: Deposit of Scheduled Commercial Banks (Amount in Rupees Billion) – According To Population Group

Year	Rural	Semi-urban	Urban	Metropolitan	Total
1981	52.62 (32.36)	93.69 (22.42)	99.67 (18.42)	158.15 (19.13)	404.13 (21.28)
1991	310.10 (18.21)	414.39 (13.94)	491.40 (15.85)	789.79 (18.07)	2005.68 (16.67)
2001	1394.31 (15.67)	1861.88 (14.95)	2178.33 (15.28)	4059.81 (16.01)	9494.33 (15.58)
2005	2131.04 (9.24)	2956.85 (10.24)	3748.91 (13.50)	8631.34 (20.27)	17468.14 (15.59)
2009	3639.10 (19.93)	5297.58 (23.12)	8229.14 (25.12)	22053.99 (18.66)	39219.81 (20.68)
2012	5731.86 (16.20)	8425.45 (17.54)	12725.92 (14.59)	33899.21 (10.46)	60782.43 (12.78)
2013	6698.89 (16.87)	9791.94 (16.22)	14970.13 (17.63)	38665.25 (14.06)	70126.20 (15.37)

Source: Reserve Bank of India
Note: Figures in parenthesis indicate annual growth rate

Table 4: Credit of Scheduled Commercial Banks - According to Population Group (Amount in Rupees crores, No. of Accounts in Thousands)

Year	Rural		Semi-urban		Urban		Metropolitan		Total	
	NOA	AO	NOA	AO	NOA	AO	NOA	AO	NOA	AO
1981	9032	28.87	7362	43.47	2940	55.23	1412	121.17	20746	248.75
1991	32465	266.44	17420	208.00	8094	273.69	3967	493.90	61946	1242.03
2001	22511	688.82	14047	711.06	7934	953.03	7873	3031.43	52364	5384.34
2005	29357	1604.79	18226	1428.36	10177	2123.00	19391	6368.52	77151	11524.68
2009	33823	3096.26	24793	3110.89	14750	4985.66	36690	17284.32	110056	28477.13
2012	41749	4422.12	31292	5282.89	17740	8548.68	40099	29778.98	130881	48032.67
2013	45703	5239.71	34621	6756.53	20924	9877.61	27038	33379.32	128286	55253.17

Source: Reserve Bank of India

Note: NOA means 'No. of Accounts'; AO means 'Amount Outstanding'

Though the annual growth rate of number of accounts is higher in case of rural areas compared to other areas, yet the deposits in these areas remained at comparatively lower level during the years after 2001. During 1981, however, the growth rate of deposits in rural areas was as high as 32.36 percent. The total deposit has increased considerably during the entire period.

Availability of Credit

Firstly, the supply of formal sector credit to rural people has been scarce. Secondly, there are existences of imperfect and fragmented rural credit markets in India. Thirdly, the distribution of formal sector credit has been unequal. Fourthly, the major source of credit to rural households, particularly income-poor working households, has been the informal sector with very high rates of interest. Further, various Committees had recommended various suggestions to increase credit advancement in different sectors, particularly in the rural areas at a lower interest rate to include more people in financial sector and to save the rural and poor people from the clutches of informal lenders.

The credit advancement by the scheduled commercial banks, in each population group, had increased during the entire period under study not only in terms of number of accounts, but also in respect of 'amount outstanding' (table 4). Further, the initiation of SHG-Bank Linkage programme during nineties had bettered the credit scenario. Upto 2012-13, the number of SHGs linked has gone up to 12,19,821.

Concluding Remarks

The policy of 'Financial Inclusion' has been more or less successful due to the efforts on the part of the Central Government, State Government, financial bodies including scheduled commercial banks as well as the stakeholders. Opening of accounts automatically increase deposits and also the demand for credit increases. To meet the growing credit demand, the banks need to extend credit to the activities until now not financed by banks. The gap between the demand and supply need to be narrowed. The RRBs and cooperative banks should come forward. However, the Financial Inclusion policy of the government has been criticized on the ground that, in this country where average monthly consumer expenditure of a family of five is about Rs.7,000 in rural areas and Rs.13,000 in urban areas according to the latest NSSO report, and where an agricultural worker earns about Rs. 6,000 per month for only 6 months in a year or a woman earns just Rs. 5,000 per month sowing and transplanting for four months a year, it is a cruel joke to ask them to save money, take insurance policies and use the mobile phone to transact funds. Only opening of accounts can never better the economic condition of the rural people or poor or women.

Let's hope for that period of time when every citizen become capable of opening savings account, maintain sufficient balance in the account and get easy credit at lower interest rates and become economically self-sufficient.

(The author is an assistant professor, Department of Economics, I.C.V. College, Belonia, Tripura)

JAGO GRAHAK JAGO

Be *SURE* Use *PURE*

Methods for Detection of Food Adulteration in Food Items

S.No	Food Article	Adulteration	Test / Method for Detection
1	Vegetable Oil	Castor Oil	Take 1 ml. of oil in a clean dry test tube. Add 10 ml. of acidified petroleum ether. Shake vigorously for 2 minutes. Add 1 drop of *Ammonium Molybdate reagent.* The formation of turbidity indicates presence of Castor oil in the sample.
		Argemone Oil	Add 5 ml, concentrated *Nitric Acid* (HNO_3) to 5ml of sample. Shake carefully. Allow yellow & orange colour to separate. Crimson colour in the lower acid layer indicates adulteration.
2	Wheat flour	Excessive sand & dirt	Shake a little quantity of sample with about 10 ml. of *Carbon tetrachloride* (CCl_4) and allow to stand. Grit and sandy matter will collect at the bottom.
		Excessive bran	Sprinkle on water surface. Bran will float on the surface.
		Chalk powder	Shake sample with diluted *Hydrochloric Acid (HCl) Effervescence* indicates presence of chalk powder.
3	Foodgrains	Hidden insect infestation	Take a filter paper impregnated with *Ninhydrin reagent* (1% in *alcohol*). Put some grains on it and fold the filter paper and crush the grains with hammer. Spots of bluish purple colour indicate presence of hidden insect infestation.

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FINANCIAL INCLUSION - AN OPPORTUNITY FOR BANKS AND BUSINESS

Dr. Amrit Patel

According to the World Bank Findex Survey (2012), 35 per cent of Indian adults had access to a formal bank account, 2 per cent of adults used their account to receive money from a family member living in another area, and 4 per cent used their account to receive payment from Government. The RBI-appointed Nachiket Committee on Comprehensive Financial Services for Small Businesses and Low Income Households [September 2013] reported that 90 per cent small businesses had no links with formal financial institutions, 60 per cent rural and urban population did not have a formal bank account and much of credit needs of the economy came from the informal sector. People without bank accounts are often the most vulnerable and impoverished. Not having bank account excludes them from simple credit products too compelling them to informal usurious moneylenders leaving them in perpetual debt. The Rangarajan Committee on financial inclusion revealed that over 95 per cent of adults in country's 256 districts did not have bank loans. NSSO estimated that 48.6 per cent of India's farm households were indebted, of which 61 per cent had operational holdings below one hectare. 57.7 per cent of the outstanding amount was sourced from institutional channels [including government] and rest 42.3 per cent from moneylenders, traders, relatives and friends.

Several studies have shown that access to financial services facilitates poor and low-income households to improve their productivity and management skills, create jobs, smooth income and consumption flows, enlarge and diversify their businesses, and increase their incomes and has positive spillover effects on other intangibles such as health care and education. It is in this context, this article briefly highlights the significance of the financial inclusion, RBI's directives, current status and aspects of strategic action plan to achieve the objectives of the financial inclusion.

Significance

Financial inclusion is broadly defined as the process of ensuring easy and reliable access to the

financial services and flow of timely and adequate credit for vulnerable groups such as weaker sections and low income groups at an affordable cost. Financial inclusion acts from the supply side by providing and expanding financial market and services that people demand from time to time under the changed circumstances, whereas financial literacy creates/stimulates the demand side by making people aware of that they can get what they need/demand.

The reason why financial inclusion is important for India, because it can accelerate socio-economic growth rate, bring down poverty and income inequality and add value to country's sustainable and inclusive growth. Financial inclusion should, therefore, be a key component of any strategy to promote inclusive, balanced and sustainable growth.

World over, recognizing the importance of inclusive growth, there are efforts towards making the financial system more inclusive.

RBI's directives:

- RBI after identifying 139 districts in 15 States being inadequately served by the banking system, issued following directives.
- Strengthening rural credit delivery system of commercial banks to achieve financial inclusion is today *"no longer an option but a compulsion"*. At least one branch of the Lead Bank at block or taluka level should be designated as a nodal branch to address the issue of FE. These branches should be strengthened with technical staff for provision of development service in the farm and non-farm sectors. All banks could make use of the services provided by such branches.
- Banks to set up financial literacy centers (FLCs) in 630-plus offices of the lead district managers. Around 35,000 rural branches of scheduled commercial banks have been mandated to undertake financial literacy activities with focus on financially excluded population.
- To include at least 55.7 million financially excluded households by 2012. The remaining households, with such shifts as they may occur in the rural and urban populations, had to be covered by 2015.
- Commercial banks including RRBs to add at least 250 rural household accounts every year in each of their rural and semi-urban branches.
- Banks to adopt appropriate technology that would enable the branch to go where the customer is present instead of the other way round. Technological advances make it possible to deliver services to more people in more places and at lower transaction cost. For this the Government has established Promotion and Development Fund and Financial Inclusion Technology Fund with NABARD to support commercial banks for expansion of financial inclusion activities and technological innovation.
- Banks should endeavor to have a banking correspondent touch points in each of six lakh villages.
- Models that the banking sector can use to expand financial access include retail banking, wholesale banking in partnership with MFIs and franchise or agent bankingby taking advantage of technology and managerial innovation.
- Mobile phones have revolutionized communications that can now be deployed for financial services by facilitating partnership between banks and telecommunications operators.
- Other measures, *inter alia,* include credit delivery focus in rural areas through the Service Area Credit Plans and enabling policy for microfinance by banks, simplification of KYC norms, introduction of no-frills accounts, Kisan Credit Cards, General Purpose Credit Cards, small overdrafts in no-frills account and permitting banks to use the services of business facilitators and business correspondents.
- From 2005-06, the RBI implements policies to encourage banks which provide extensive services while disincentivising those that are not responsive to the banking needs of the community, including the underprivileged.
- The 100per cent financial inclusion drive has been launched and by end-March 2009, 431 districts in 18 States and five UTs were identified, of which 204 districts are reported having achieved targets.

Banks to formulate the FIP for 2010-13 which aims at providing appropriate banking services, including a savings-cum-overdraft account, a pure savings product [recurring orvariable recurring deposits], remittance and payment services, insurance and entrepreneurial credit to the underprivileged inhabitations having population in excess of 2000 by March 2012. FIP for 2013-16 should cover 4,90,000 villages with population below 2000 by August 2015. FIP as an integral part of banks corporate business plan should include targets for opening banking outlets, putting in place BCs, opening of BSBDAs, overdraft facilities and farm and NFS credit through KCCs and GCCs, transactions in BC-ICT accounts. FIP 2013-16 focuses more on volume of transactions in large number of accounts opened.

Comprehensive Approach

The PMJDY, which envisaged opening 150 million bank accounts [two each from 75 million households] by January 26, 2015, is a significantly improved and a bit comprehensive financial inclusion scheme offering to an unbanked household who opens a bank account before 26th January, 2015 a package comprising three basic products viz. [i] Overdraft facility of Rs.5,000 [ii] Debit card of RuPay—an Indian payment gateway like Visa and Master card-- and[iii] Insurance cover of Rs.1lakh for accident and of Rs.30,000 for life. The beneficiaries, who already have bank accounts, are also eligible to get these benefits. Besides, the major policy change in the PMJDY, as compared to the earlier efforts of financial inclusion, is to [i] target households instead villages [ii] cover rural and urban areas against rural ones [iii simplify Know Your Customer norms to encourage opening bank account [iv] pursue digital financial inclusion with special emphasis on monitoring by a mission headed by the finance minister.

According to the PMJDY website, more than 127.65 million new bank accounts have been opened since launch of the scheme on August 28, 2014, taking the number of households in the country with at least one individual bank account to 210.5 million. As on 5th February 2015, under the PMJDY 127.65 million bank accounts have been opened [of which 84.34 million are Zero balance accounts] with balance of Rs.1,09,281.4 million and 112.80 million Rupay cards issued. However, the speed of linking the accounts with Aadhar numbers has been very low indicating that only 35per cent of all new bank accounts are linked with Aadahar as on 4th February 2015 to ease the process of direct transfer of cash subsidies and other financial benefits to beneficiaries through their bank accounts under 36 Government schemes. For instance, linking bank accounts with Aadhar stands at only 11per cent in Bihar and 16per cent in Uttar Pradesh. Besides, a high proportion of these accounts continue to be inoperative. In 10 important States with a population of 1210.13 million [2011 Census] of the country, 117.94 million [61.24 per cent] have bank accounts. While 61.24per cent hold Aadhar cards only 35.01per cent are Aadhar seeded accounts of total bank accounts.

Strategic Action Plan: The goal of different approaches to promote financial inclusion would be [i] progressively expand the coverage to those who have hitherto remained financially excluded [ii] encourage the use of technology and continued innovation and [iii] deepen the integration of mf into the formal financial sector through broader participation of commercial banks and expanded access to capital markets. PMJDY's focus to bring all households under the mainstream of banking by first opening bank account will, indeed, have a significant impact to accelerate country's economy in the course of time. All banks in public, private and cooperative sectors along with RRBs should chart out a road map to implement the directives issued by the RBI and Government by March 2016. Opening bank accounts may not immediately become viable but it can be over a period of time when Government makes all payments through these bank accounts under Direct Benefit Transfer scheme and banks and insurance companies put in serious and committed efforts to mobilize savings, credit and insurance products accompanied by appropriate marketing strategies. Besides, following strategic actions can contribute to improve operational viability and achieve objectives of the PMJDY.

Field experiences of four months suggest the immediate need for the Government in consultation with the RBI to remove all misunderstandings and confusion with regard to the mandated benefits under the scheme by bringing out a comprehensive booklet and putting on the web the FAQ. For this, NABARD can undertake a pilot project in each State to understand the bank account holders' perception and banks' capability to serve these new clients in the light of the concept of the PMJDY.

Government and banks in an effective coordinated manner will have to launch a massive village-wise structured campaign to create full awareness among poor households for their better understanding of the PMJDY and improve the level of education/financial literacy that can help them avail the benefits under the scheme along with their responsibilities attached with it. Fundamentally Panchayati Raj Institutions at all levels will need to be involved in this campaign after their members have been fully trained to understand the scheme and its targeted aims, rather than only opening bank accounts. NGOs, Civil Society, Print and electronic media will have added role in this area.

Panchayati Raj Institutions at village level must ensure that by March 2016 all households should have bank account which must be monitored by the Lead Bank at block, district and State level on a quarterly basis.

Banks will have to put in place client-friendly procedure that can encourage /motivate beneficiaries/clients to operate the bank account, rather than allowing it to remain dormant, since Financial Inclusion aims at continuous operations/ transactions in the bank account already opened. Flexibility is an important criterion and the services and products available should be flexible.

The Rangarajan Committee on Financial Inclusion revealed that over 95per cent of adults in country's 256 districts did not have bank loans. Banks under the PMJDY will, therefore, need to commit and ensure that beneficiary uses overdraft facility to acquire income-generating assets, pursue economic activity, generate income and ultimately converts overdraft facility into loan and establishes her/his credibility to access more amount of short-term loan in due course. This calls for concern, commitment and accountability of all stake-holders under the PMJDY to make it result-oriented. Effective Management Information System will need to be established to monthly monitor the end-use of the overdraft facility and half yearly review of the impact created on income-generation and settlement of the overdraft facility.

Inadequate "financial literacy" is a current, popular rationale for poor adoption among the financially excluded around the world. Financial literacy and debt counseling advocated by the RBI is a *sine qua non* to achieve the aims/objectives of the PMJDY since the very foundation of the financial stability rests on managing all the costs involved or risks associated in the financial inclusion, viz. cost of overdraft, insurance cover, non-repayment/unsettled overdraft facility in the event of zero-credit balance, among others, It is imperative that all intended beneficiaries of the

Table 2: Number of Bank Accounts, Amount and Rupay Cards as on 05-02-2015

As on	Bank Accounts & Amount		Zero Balance Accounts [Million]	Rupay Cards [Million]
	Number [Million]	Rs.in Crore		
29-09-2014	52.98	3971.52	41.00	17.85
29-10-2014	67.52 [127.44]	5027.57 [126.59]	51.30 [125.12]	34.23 [191.76]
29-11-2014	83.23 [121.79]	6494.10 [129.17]	61.82 [120.51]	52.57 [153.58]
29-12-2014	102.68 [123.37]	7930.65 [122.12]	75.30 [121.80]	82.11 [156.19]
30-01-2015	124.73 [121.47]	10415.84 [131.34]	84.00 [111.55]	109.91 [133.85]
05-02-2015	127.65 [102.34]	10928.14 [104.92]	84.34 [100.40]	112.80 [102.63]

PMJDY must understand their statutory obligations before claiming the benefits/rights under the scheme. If past field experiences were any guide, most beneficiaries of Government sponsored schemes have, unfortunately, developed a culture to receive freebies and politically expedient subsidies. The syllabus of the financial literacy and debt counseling should be pilot-tested in most districts of the country and appropriately redesigned to match the needs under the PMJDY to achieve its end-objectives. Financial literacy should focus sharply on the capacity building of the beneficiary.

Efforts need to be made to identify best **delivery models/business models** for financial inclusion. Providing branches in each village may not be feasible because of financial viability and other reasons. Banks need to experiment with all delivery models like satellite branches, mobile branches, business correspondents, POS, and mobile telephony services. The BC model coupled with Information and Communication Technology [ICT] solutions has the potential to reach out to the hitherto unreached.

Banks can mobilize savings by motivating beneficiaries and extending bank credit hassle-free on lines of SHGs under SHG-Bank-Linkage Program since India's household savings have been declining since 2009-10, together with strong compositional shifts from financial to physical savings. Ingenuity of bank staff and innovative savings schemes can help banks mobilize significant amount of deposits as is evident from Saradha, Sahara and the multitude of informal fund-raising schemes that have sprung up in recent years across the country prove that rural folk have sizeable savings to invest.

The global partnership for financial inclusion developed a comprehensive and holistic set of financial inclusion indicators with the aim of deepening the understanding of the financial inclusion landscape which was endorsed at the G20 meeting in Russia in September 2013. Financial inclusion is measured in three ways: (i) access to financial services; (ii) usage of financial services; and (iii) the quality of products and service delivery. India can measure the performance through these measurable indicators.

Banks should perceive Financial Inclusion as a business opportunity rather than a compulsion or pursuing it as a regulatory requirement and develop a profitable business model that can be used as a means to expand the resource base of country's financial system, protect low-income groups from being exploited by moneylenders and improve the effectiveness of the system to reduce the scope of the unorganized sector. Despite significant technological advancements there are **issues** of standardization, inter operability and costs that inhibit smooth technology solutions. The financial services offered with the help of ICT should ideally be standardized, interoperable and cost effective. One of the major reasons for the slow progress in providing banking services in the hinterland is the high transaction costs associated with low value large volume transactions. Technology can to a great extent reduce the cost of transactions.

Some critics have voiced their concern about the likely economic burden of 15 crore overdraft facilities, each of Rs.5,000 without any collateral in the event of these drafts not having been settled. In this case, it is necessary to evolve basic guidelines for providing overdraft facility as most banks have already past experience of providing overdraft of Rs.155 crore under 3.9 million " No-frills Account out of 18.2 million. This field-based study should provide concrete information on [i] why only 3.9 million out of 18.2 million were issued the overdraft facility, leaving a very large number out? [ii] What has been the ultimate fate of the overdraft facility in respect of its use and settlement or becoming NPA? Before providing the overdraft facility under the PMJDY, there is need to conduct comprehensive pilot studies in each district to assess the beneficiary's perception and understanding on the use of overdraft facility, its on-time settlement and the actual requirements as envisaged under the scheme. Overdrafts can be extended solely at the banks' discretion, based on the history of the account-holder.

(The author is a former Deputy General Manager, Bank of Baroda and agriculture and rural credit consultant]

MICROFINANCE AND CAPACITY BUILDING OF RURAL POOR: PROSPECTS AND CHALLENGES

Ramchandra Pramanik

Microfinance is a product of developmental experiments that have been tested by the policy makers throughout the globe. It is thus an emerging and yet experimental and less understood phenomenon that opens the doors of capital to the individuals who are excluded from mainstream financial institutions. It presents a new vision for financial arrangement that can potentially stimulate economic growth in the developing countries. International development discourse is now intimately linked with Millennium Development Goals (MDGs), the holistic goals of eradicating poverty and microfinance is firmly linked with this goal.

Microfinance as A Rural Credit Policy

Rural credit policy through financial institutions has a long history, but has gained currency in the last few decades. Lending money to someone and borrowing from others is a long practice that people have been pursuing since times immemorial. The terms 'microcredit' or 'microfinance' are often used interchangeably in the context of developmental study. It was Gramin Bank of Bangladesh, which coined the term 'microcredit' in 1970s which eventually became popular in its next decade.

Microcredit is primarily different from formal bank credit, it is collateral free and its basic objective is to increase income at the local level through micro-entrepreneurial activities. Microfinance as we understand also bears the same connotation. It is a financial arrangement made by Microfinance Institutions (MFIs) for poor and low income groups. These institutions offer loans to unsalaried beneficiaries, taking no or little collateral. Here, lending of loan is linked with group approach, 'pre-loan savings requirement', repayment of loan in time as a guarantee of future loan instantly etc. Broadly speaking microfinance is thus, a movement that finances low income groups to enhance their income producing enterprises, build assets, increase the degree of consumptions, and to protect against risk factors like natural disaster, illness and so on worldwide. Microfinance is not only a credit oriented service it promotes habits of savings, insurance and money transfers.

Microfinance and Economic Inclusion

Microfinance acts as a remedy in at least two respects-- rural development and women empowerment. It is a means to empower the poor

and socially marginalised groups of the society, particularly women. With the introduction of Structural Adjustment Programmes leading to reforms of financial sectors in 1992 the banking sector gradually moves away from its social objectives adopting policies of abolishing concessional rate of interest, demanding collateral even from small farmers, and making large stipulated minimum balance compulsory for granting loans to small farmers. In short, the formal financial sector shifts its approach from 'mass banking' to 'super-class' banking. In recent periods, banking sector has witnessed revolutionary changes due to technological advancement, internet banking, online money transfer etc. What is true is that such access to sophisticated technology is restricted to a certain segment of the society. There is now a clear dividing line between two sections of the people, the middle and upper-middle class having an increased opportunity of personal financial access and significantly a large section of the society lacking the basic access to financial institutions. This leads to 'financial exclusion'. Microfinance has been considered as a move for creating the space for financial inclusion. It refers to process of ensuring access to financial sectors by mainstream institutions. It involves awareness creation on financial literacy, mobilisation of rural poor, micro-credit, and debt redemption, capacity building, livelihood loans, micro savings, creation of entrepreneurial capability and 'credit plus' services that might ultimately lead the goal of 'inclusive growth'.

With market globalisation taking strong roots throughout the globe, many people are forced to create some type of business for their mere subsistence. The tenacity and ambition of these forced entrepreneurs deserve admiration, but the unlikely condition is that many of them merely 'eking out hand-to mouth' for their subsistence because they lack necessary tools for success. A large percentage of people around the world work and lead their life through micro franchises. International Labour Organization has reported in 2002 that 72 per cent sub Saharan-African people operate within a growing informal economy. India is no exception to this situation. Unfortunately, increase of such unorganised sector does not equate to an increase to their income levels. Financial exclusion due to the lack of favourable rural credit policy is a barrier for organizing business enterprises among the socially disadvantaged groups. Financial services run by commercial banks in developing countries are often provided to upper income clients at the expense of the poor, women, rural inhabitants, the uneducated for high cost of administrative support and lower transaction sizes associated with these groups. Microfinance thus, might be a panacea for empowering the marginalized groups of the society. Various studies on micro finance have revealed the potentiality of increasing household income of poor households. Microfinance, it is hoped, in the long run may accumulate social and economic capital and push the socially and economically disadvantaged sections out of extreme poverty.

Microfinance for Microfranchise

Microfinance creates micro-franchise. Micro franchise as a concept is still in infancy, yet gaining currency all over the world to combat poverty. The idea is first coined by Stephen W. Gibson who established an academic school in Philippines that trained young men and women to be prospective entrepreneurs'. Franchising here refers to the systematisation and replication of the enterprise. Micro franchise refers to the social aspect of assisting the poor at the base of the economic pyramid. In a developing country, micro franchise addresses at least three core developmental problems that prevent people from being economically self-reliant.

Lack of jobs: Lack of sufficient employment opportunities are the features of most of the developing countries. In sub Saharan-African region 72 per cent population leads their life through informal economic activities. In Latin America it is 51 per cent and in Asia it is 65 per cent. As access to job is limited, most people in these regions are engaged in contract labour, selling their time and energy in the labour market with little benefits.

Lack of skills: Creativity, knowledge of technology, resources and psychological profile needed to be successful entrepreneurs are uncommon traits to human beings. As a result many people who do start business ultimately fail or barely survive on subsistence level. Most of the people in developing countries do not possess basic knowledge of entrepreneurship such as record keeping, inventory management techniques etc.

Microfinance and Women Empowerment

Worldwide proliferation of microfinance institutions has ultimately culminated in the UN declaration of 2005 as the Year of Microfinance. According to the Stanford Journal of Microfinance, there existed 3,316 verifiable microcredit institutions, providing credit to 133,030,913 clients worldwide, by December 2006 of which 92,922,574 were from the poorest strata of the society and 82.2 per cent were women.

In India greater emphasis is being placed on the development of women as an entrepreneur and their active participation in the developmental process. Women can be a successful entrepreneur if a congenial environment is created for them. The business expertise of women has already been proved by several studies on rural women. They have been found better and methodical in credit utilisation than men, but lack of access to assets makes them more vulnerable to poverty than men. Several women organisations have been seriously working for the economic betterment of women for decades. These are some examples:

- Sri Mahila Griha Udyog Lijjat Papad (1959).
- Self-Employed Women Association (SEWA) established in 1972.
- The Working Women's Forum (WWF) established in 1978.
- Rastriya Mahila Kosh,(RMK) a government organization established in 1993.
- Mann Deshi Mahila Sahakari Bank Ltd. (MDMSB) in 1997.

However, there is no magic bullet that can change the structural barriers on women overnight. Still, majority of women are poor, culture-bound, marginalized, disempowered and alienated. Some major problems women entrepreneurs generally face as are as follows:-

- **Patriarchy:** Patriarchal domination is a major hurdle for bringing equity between men and women on the question of entrepreneurship
- **Financial:** Women do not possess adequate financial resources and working capital. Their access to credit is limited. In India, in many cases women do not possess property rights and the extent of their accumulation of wealth or so called bank balance is very much disappointing. In most cases, male members of their family decline to invest in such ventures which are run by the women members perceiving the consequences of their inability to run the business successfully.
- **Marketing:** Women often find it difficult to market their finished products. They have to depend on broker or middlemen for marketing their products who in turn pocket a good amount of profit. Marketing in present day global economy has become complex and competitive. Any product to be popular in an open and competitive market needs proper advertisement that involves a huge financial arrangements and the most unlikely situation is that women entrepreneurs are not able to bear this burden.

Microfinance, however, is not an end of all ills, but a beginning of a new era. If handled judiciously, it can be an effective means of eradicating poverty. Microfinance must be linked with the objectives of capacity building, otherwise the funds are likely to be used in consumptions and in procurement of non productive assets. Government should provide skill development training to the prospective entrepreneurs that will motivate the poor to organise business, because the poor do not work, not because he is lazy, but because he has no access to capital.

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Microcredit is primarily different from formal bank credit, it is collateral free and its basic objective is to increase income at the local level through micro-entrepreneurial activities

MUDRA BANK: A GAME CHANGER?

Vinod Deshpande

Development is never a linear process, neither it is a case where one model can fit for all. Regional situations, resource bases, human capital and politico – economic situations and even cultural ethos, vary across the nations. Therefore development has to be a notion where there should be broad consensus about the outcome as to what to achieve. But process to achieve that must be flexible enough to accommodate regional variance. Almost a decade back, Finance Ministers and Central Bank Governors of the G20 nations had declared that "there is no uniform development approach that fits all countries" and "each country should choose the development approaches and policies that suit its specific characteristics." This was realised even by the World Bank subsequently. MUDRA BANK in this context is a product of realisation of Indian developmental needs. it's an Indian innovation with India centric approach. Cabinet's resolution on NITI Aayog had vividly mentioned that we need to find the solutions which are specific to Indian situations.

In general, major discourses regarding economy, have been revolving around corporate sectors. But The Credit Suisse Asia Equity division pointed out in its study [July 2013] that the corporate sector, accounts for just 15 % of India's GDP and only 10 % of the jobs. According to RBI data, while value addition of corporates was just 36 % on the gross fixed assets, small and micro businesses have produced the value addition of 55% on gross fixed assets. Hinting towards the fact that Small and micro businesses have been more efficient in this context. Therefore to make a telling change in the economy we will have to give a real boost to MSME. It will be interesting to note the status of Micro Small Medium Enterprises (MSME) in India.

According to economic survey of India, There are 3.61 crore MSME's contributing 37.5 % of GDP. And As per NSSO Survey of 2013, there are close to 5.77 crore small-scale business units, mostly sole proprietorships, which undertake trading, manufacturing, retail and other small-scale activities. MSME's play very critical role in achieving higher industrial growth as well as in employment generation. Jobs generated by MSME outnumber the large companies. Organised sector and larger companies on the hand employ only 1.25 crore individuals. Clearly, the potential to harness and nurture these micro businesses is vast and the government recognises this. Today, this segment is unregulated and without financial support or cover from the organised financial banking system. Around 62% of these units are owned by SC – ST and Other Backward classes. And half of them are geographically located in rural areas. Unfortunately, most of the small and micro businesses are outside the formal system. The Credit Suisse report found that while the informal sector in the West is normally illegal sector, but in India the huge informal sector exists because the state has not been able to reach them. This hinders the growth of entrepreneurship in non corporate small business sector. As such there are number of schemes that are dedicated for this sector, like Prime Minister's Employment Generation Programme, Micro and Small Enterprises-Cluster Development Programme Credit Guarantee Fund Scheme for Micro and Small Enterprises etc. Still sector has not achieved its full potential.

The Economist magazine [Sept 2013] suggested that the only way of organising the unorganised millions of small and micro units is to provide organised finance to them.

Economic Census 2014 underlines the fact that only 4 % of the credit needs of 58 million small and micro business is addressed by the formal banking system. The biggest bottleneck for these industries is the lack of access to formal credit. And essential to remove this lacuna, MUDRA BANK is being envisaged. No wonder, Finance minister proclaimed while talking about MUDRA Bank, first we wanted to bank the unbanked in Jan Dhan Yojana and now through MUDRA Bank we want to fund the unfunded!

"While there are a number of facilities provided for the large industries in India, there is a need to focus on these 5 crore 75 lakh self-employed people who use funds of Rs 11 lakh crore, with an average per unit debt of merely Rs 17,000 to employ 12 crore Indians," the Prime Minister said, explaining the reason behind the MUDRA Bank.

Mudra Bank: Establishment and features

MUDRA stands for Micro Units Development Refinance Agency (MUDRA). Mudra, in Hindi, means currency. Mudra Bank is being set up through a statutory enactment and will be responsible for developing and refinancing activities to micro units. Till formalities of statutory enactment are completed it will work as a subsidiary of SIDBI. Announced as part of the Union Budget 2015-16, the bank will have a corpus of Rs 20,000 crore and a credit guarantee corpus of Rs 3,000 crore.

What are the offerings of MUDRA?

Under the aegis of Pradhan Mantri MUDRA Yojana, MUDRA has already created its initial products/schemes. The interventions have been named 'Shishu', 'Kishor' and 'Tarun' to signify the stage of growth/development and funding needs of the beneficiary micro unit/entrepreneur and also provide a reference point for the next phase of graduation/growth to look forward to :

a. Shishu : covering loans upto 50,000/-

b. Kishor : covering loans above 50,000/- and upto 5 lakh

c. Tarun : covering loans above 5 lakh to 10 lakh

Major Objectives of MUDRA

1) Laying down policy guidelines for micro enterprise financing business
2) Registration of MFI entities
3) Supervision of MFI entities
4) Accreditation /rating of MFI entities
5) Laying down responsible financing practices to ward off over indebtedness and ensure proper client protection principles and methods of recovery
6) Development of standardised set of covenants governing last mile lending to micro enterprises
7) Promoting right technology solutions for the last mile
8) Formulating and running a Credit Guarantee scheme for providing guarantees to the loans/ portfolios which are being extended to micro enterprises
9) Supporting development & promotional activities in the sector
10) Creating a good architecture of Last Mile Credit Delivery to micro businesses under the scheme of Pradhan Mantri MUDRA Yojana

MUDRA : A game changer

MUDRA will be operating as a refinancing institution through state/regional level intermediaries. Mudra will be responsible for refinancing all last mile financiers such as Non-Banking Finance Companies of various types engaged in financing small businesses, societies, trusts, section 8 companies, even cooperative societies, small banks, scheduled commercial banks and regional rural banks, which are in the business of lending money to micro / small business entities engaged in manufacturing, trading and services activities.

Bank would partner with state or regional level financial intermediaries to provide finance.

This is suppose to be a master stroke! Local knowledge is the primary requisite for successful and recoverable lending to micro units. Inclusion of last mile financiers will give on ground expertise to the lenders and MUDRA is suppose to refinance them. This can ensure operational efficiency and need based disbursal of finances. Also effective recovery can be expected.

MUDRA will lay down normative guidelines for engaging the Last Mile Financers. If the Last Mile Financers, which now borrow money at high cost and lends at high cost to micro businesses, is refinanced at lower rates, the ultimate interest rate for micro businesses would be lower. With assured recovery and refinance, cost of borrowing will be bit less.

MUDRA structure seeks to integrate the hundreds of thousands of informal financiers into the formal modern financing system. It must be noted that lowering of lending rates will happen over a period of time, not immediately.

Mudra Bank will ensure clients are properly protected and will lay down principles and methods of loan recovery in case of a default. The Bank will also rigidly follow "responsible financing practices" so as to deter borrowers from indebtedness.

Registering with MUDRA Bank for NBFC, MFI etc. is voluntary. And their lending rates may vary and will be still their own discretion. But refinancing will be depending upon the lending rates. MUDRA Bank is also going to be a credit rating agency for them. It may give a boost for the overall efficient operations and higher registration of NBFC's MFI's with MUDRA.

Credit guarranty is also being worked out at MUDRA.

Challenges ahead

MUDRA is to be funded by non budgetary support. The money will be coming from the shortfall in the achievements of the priority sector lending (PSL) targets by scheduled commercial banks. But these funds by domestic banks are deposited in Rural Infrastructure Development Fund (RIDF) managed by Nabard and for foreign banks are deposited with SIDBI. In addition to this internal working group of RBI has suggested exchange of PSL obligations through PSL certificates. This, if accepted, can take substantial chunk out of the expected funding by scheduled commercial banks. So critics are worried about the funding of MUDRA Bank. GOI will have to come out clearly on this.

Till now NBFC's and MFI's were being regulated by RBI under a separate category. IF MUDRA Bank is going to regulate it now onwards, this may give rise to potential conflict which will need to be sorted out through Microfinance bill. Typically MFI's average loan amount disbursed per account is just below 17,000/- how can they cater to the requirements of small businesses whose demand may run 50,000/- to the least and few lakhs on upper side? Also currently MFI's primary resource is commercial banks which lend them money at 13-14%. IN turn MFI's lend money at 23-24% to the borrower (end user). And these 10 % are utilised for maintaining their operationability including profits , cost of running etc. IF MUDRA is going to refinance it at a cheaper rates, cost of lending for MFI needs to come down. Even that is going to be a challenge for MUDRA Bank.

Other refinancing agencies performance is not exactly as per the expectations and these include NABARD, SIDBI, National Housing Banks etc. To make MUDRA a successful venture is therefore a big challenge for Govt. of India.

Future Lies Ahead

Jan Dhan Yojana under the leadership of Prime Minister has proven the ability of govt. in scaling up the execution. Full fruits of the scheme are yet to be seen. But opening up of 12 crore plus accounts in less than six months was a phenomenal success. This energy needs to be replicated in other areas too. Implementation is not impossible but has to be excercised with caution and vigour. MUDRA Bank has a great potential for achieving inclusive growth and 'Make in India' objectives. It is going to spur rural economy and encourage entrepreneurs. To sum up, MUDRA Bank is an indigenously designed modern financial engine to align the non-formal financiers and informal micro businesses and formalise both. It holds lot of promises to the great future that lies ahead !!!

(The author is Mumbai based columnist on economic subjects.

PRADHAN MANTRI KRISHI SINCHAYEE YOJANA (PMKSY)

The Cabinet Committee on Economic Affairs (CCEA), chaired by the Prime Minister Shri Narendra Modi, has given its approval to a new scheme the "Pradhan Mantri Krishi Sinchayee Yojana" (PMKSY). It will have an outlay of Rs. 50,000 crore over a period of five years (2015-16 to 2019-20). The allocation for the current financial year is Rs. 5300 crore.

The major objective of the PMKSY is to achieve convergence of investments in irrigation at the field level, expand cultivable area under assured irrigation (Har Khet ko pani), improve on-farm water use efficiency to reduce wastage of water, enhance the adoption of precision-irrigation and other water saving technologies (More crop per drop), enhance recharge of aquifers and introduce sustainable water conservation practices by exploring the feasibility of reusing treated municipal based water for peri-urban agriculture and attract greater private investment in precision irrigation system. The scheme also aims at bringing concerned Ministries/Departments/Agencies/Research and Financial Institutions engaged in creation/use/recycling/potential recycling of water, brought under a common platform, so that a comprehensive and holistic view of the entire "water cycle" is taken into account and proper water budgeting is done for all sectors namely, household, agriculture and industries.

The programme architecture of PMKSY aims at a 'decentralized State level planning and execution' structure, in order to allow States to draw up a District Irrigation Plan (DIP) and a State Irrigation Plan (SIP). DIP will have holistic developmental perspective of the district outlining medium to long term developmental plans integrating three components namely, water sources, distribution network and water use application of the district to be prepared at two levels - the block and the district. All structures created under the schemes will be geotagged.

The programme will be supervised and monitored at the national level by an Inter-Ministerial National Steering Committee (NSC) under the Chairmanship of the Prime Minister with Union Ministers of all concerned Ministries. A National Executive Committee (NEC) is to be constituted under the Chairmanship of the Vice Chairman, NITI Aayog to oversee programme implementation, allocation of resources, inter ministerial coordination, monitoring and performance assessment, addressing administrative issues etc. At the state level the scheme is to be administered by a State Level Sanctioning Committee (SLSC) to be Chaired by the Chief Secretary of the respective States. The committee will have all authority to sanction the project and also monitor the progress of the scheme. At the district level their shall be a district level implementation committee for ensuring last mile coordination a the field level.

It is expected that PMKSY will provide convergence to existing schemes of water management, thus bringing efficiency to the use of water.

Background

In the last one year, the Government of India has taken several farmer friendly initiatives. These, amongst other things, include the following:

- A new scheme has been introduced to issue a Soil Health Card to every farmer. Soil Health Management in the country is being promoted through setting up of soil and fertilizer testing laboratories. 34 lakh soil samples has been collected and analysis is continuing.
- A new scheme for promoting organic farming "Pramparagat Krishi Vikas Yojana" has been launched to promote organic farming.
- A dedicated Kisan Channel has been started by Doordarshan to address various issues concerning farmers.
- Government is also encouraging formation of Farmer Producer organizations.
- Assistance to farmers, as input subsidy, has been increased by 50 percent in case of natural calamities.
- Norms have been relaxed to provide assistance from previous norm of crop loss of more than 50 percent to 33 percent to farmers afflicted by natural calamities.
- Minimum Support Price (MSP) for various Kharif crops has been increased. Bonus of Rs.200 per quintal has been announced for pulses. Area coverage under pulses has increased over the last year.

Taking it further, today the Cabinet Committee on Economic Affairs, chaired by the Prime Minister has given its approval to two new schemes in agriculture sector. These are the PMKSY and Promotion of National Agriculture Market.

RS TWO LAKH CRORE INVESTMENT LIKELY TO RAIN ON URBAN AREAS IN NEXT FIVE YEARS FOR SMART CITIES AND AMRUT PLANS

India's cities are among the greatest things we have", Charles Correa , world-famous architect had said. He would have been more convinced about his perception after emergence of smart cities on India's large canvas in near future. Alas! He is no more. Marathon exercises are underway to accomplish the much touted project ,being billed as a watershed initiative to give fillip to the growth agenda.

With an investment entailing Rs 48,000 crore from the Centre, 100 smart cities will be developed in next five years. Carrying forward his agenda of accelerated growth aimed at recasting the country's urban swathes, Prime Minister Narendra Modi and his cabinet has approved spending of about one lakh crore on urban development under two new urban missions in next five years. The twin projects, which are being unfurled June 25 this year, are the smart city mission and the Atal Mission for rejuvenation and urban transformation (AMRUT) of 500 cities with outlays of Rs. 48,000 crore and Rs.50,000 crore respectively.

The smart cities mission seeks to ensure basic infrastructure services to enable a decent quality of life in urban pockets and a clean and sustainable environment and adoption of smart solutions. Officials claim smart cities mission seeks to fetch the benefits of urban development to the poor through promotion of public transportation and enhanced access to public spaces. The improved urban environment under the mission will give fillip to economic activity which in turn benefits the poor through increased employment and livelihood opportunities.

Urban population, according to 2011census, was about Rs 37 crore accounting for 31 per cent of total population. As per latest estimates, about 5.80 crore urban population are poor. Taking lessons from the implementation of Jawaharlal Nehru Urban Renewal Mission that was launched in 2005 and implemented till March 2014, when it was wound up by the previous government, new initiatives have been formulated, sources say. US trade development agency (USTDA) signed MOU with the governments of Rajasthan and AP for assisting in making Allahabad, Ajmer and Visakhapatnam into smart cities.

Fourteen countries have expressed interest in building smart cities. These include : US, Japan, China, Singapore , Germany, France , Netherlands, Sweden, Israel, Turkey and Australia. The improved urban environment under the mission will give fillip to economic activity which in turn benefits the poor through increased employment and livelihood opportunities.

Selection

Under the smart city mission ,each selected city would get central assistance of Rs.100 crore per annum for five years and each state will shortlist a certain number of smart city aspirants as per the norms. Smart city aspirants, say official sources, will be picked up through a transparent "city challenge competition intended to link financing with the potential of cities to perform to fully accomplish the well laid out objectives of the ambitious mission.''

States plan will be further evaluated for pumping of money from the Centre's coffers. Sources made it clear that the smart city mission intends to promote adoption of smart solutions for efficient use of available assets, resources and infrastructure for improving quality of life. Thrust will be laid for participation of locals in prioritising and planning urban interventions. It will be implemented through areas based approach consisting of retrofitting, re-development, pan city initiatives and development of new cities.

A UNI correspondent, who visited a few areas in the Hindi heartland states recently, found that locals were calculating potential locations of smart cities and have started their own reckoning of hike in land prices in and around those areas." It is not only money raking calculations, we are keen to have better urban life ,and future generations will not forgive us if the present rot of haphazard development was not arrested in a stipulated period.'' At some places, bets are on the potential sites of smart cities and locals were enthused. Informatively, a statutory town is one that has a municipal body. There are 4,041 statutory cities/ town as per 2011 records. Out of these, about 500 cites are with a population of above one lakh each are focus of AMRUT. These 500 cities account for 73 per cent of India's population.

Numbers

According to highly informed sources, number of cities that can be nominated for Smart city & AMRUT respectively so far are like this : A&N (1&1), Andhra Pradesh (3 &31), Arunachal Pradesh (1 &1), Assam(1&7), Delhi(1&1), Karnataka (6 &27), Kerala(1&18), Uttar Pradesh (13 &54), WB (4&28) Maharashtra (10&37) etc. Official sources said under retrofitting, deficiencies in the identified area will be addressed through necessary interventions as in the case of local area plan for downtown Ahmedabad. Redevelopment enables reconstruction of already built up area that is not amenable to make it smart as in the case of Bhindi Bazar of Mumbai and West Kidwai Nagar in Delhi.

Pan city components could be interventions like intelligent transport solutions that benefit all residents by reducing commuting time. The smart city initiative planners have agenda for core infrastructure services like adequate and clean water supply, sanitation and solid waste management, efficient urban mobility and public transport, affordable housing for the poor, power supply, robust IT connectivity, governance, especially e-governance, security and safety of inhabitants, well developed health, education services besides sustainable urban development.

Official sources said Smart City action plans will be implemented through special purpose vehicles which will be created for each city and state governments will ensure steady stream of resources for SPVs.

Both Smart city mission and AMRUT are linked with an umbilical chord. AMRUT, entailing an investment

of Rs 50,000 crore, envisages proper infrastructure services relating to water supply, sewerage, septage management, storm water drains, transport and development of green spaces and parks with special plans of meeting needs of children.

The Mission inter alia aims at achieving urban reforms such as e-governance, building of professional municipal cadre, devolving funds and functions to urban local bodies, review of building bye laws, improvement in assessment and collection of municipal taxes, credit rating of urban local bodies, energy and water audit and citizen centric urban planning.

Sources said in order to push reforms, the government has also planned 10 per cent budget allocation will be given to states/ UTs as incentive based on achievement of reforms during the previous year. A reform matrix with timelines will be circulated to states in the guidelines.

Amrut Mission

The AMRUT Mission will be implemented in 500 cities and towns each with a population of one lakh and above. It will also be carried out in some cities situated on stems of main rivers, a few capital cities and important cities located in hilly areas, islands and tourist areas.

Unlike JNNURM, central government will appraise individual projects but states, sources said, get flexibility of designing schemes based on needs of identified cities and in their execution and monitoring. States will only submit state annual action plans to the Centre for broad concurrence based on which funds will be released .

Central assistance will be to the extent of 50 per cent of project cost for cities and towns with a population of ten lakh and one third of the project cost for those with a population of above ten lakhs. The funds will be released in three instalments in the ratio of 20:40: 20 based on achievement of milestones indicated in state annual action plans .

Sources said the government has already approved central funding under AMRUT to the projects sanctioned under JNNURM and not completed. JNNURM projects relating to the urban development sanctioned during 2005-2012 and achieved physical progress of fifty per cent availing 50 per cent central assistance released and those sanctioned during 2012-2014 will be supported till March 2017. Accordingly ,102 and 296 projects will get central support for balance funding to complete these projects.

Official sources say a minimum investment of over Rs two lakh crore would flow into urban areas over the next five years since states and urban local bodies would mobilise matching resources ranging 50 to 60 six per cent . In addition, substantial private investment would be mobilised by states and urban local bodies through PPP model as required to meet project costs.

(Source PIB)

USE OF DIGITAL TECHNOLOGY IN AGRICULTURAL RESEARCH

Ghanshyam Goel, Samrat Bandopadhyay

Agriculture in general is location and agro-climatic zone specific. Technologies used in other countries are quite often required to be tailored to the needs, for sometimes, even new developments are needed. The Institutes and Centres of All India Coordinated Research Projects (AICRP) on "Farm Implements & Machinery" are putting concerted efforts to increase the level of mechanization in the country. A new consortia research platform on "Farm Mechanization and Precision Farming" has been initiated in 12th Plan to fast-track level of mechanization.

Research and Development achievements made on "Farm Mechanization and Precision Farming" during the past five years.

- An android app (version 1.02) and an online web app has been developed to estimate top dressing dose of nitrogen fertilizer based on normalized difference index (NDVI) values obtained through green seeker sensor for rice and wheat crop.
- Electromagnetic radiation profiles of mango have been studied to determine the most convenient methods of non-destructive defect detection. The information has been synthesized in the form of software for use in the non-destructive quality determination of mangoes.
- Anthropometric data on Indian agricultural workers have been taken and relationships developed for design of appropriate tools for reduced drudgery in man-machine system and gender specific situations.

- Rainfall patterns for Madhya Pradesh have been combined with soil characteristics to determine the rain harvesting options for different locations in the State.
- Soil tool interactions have been studied in fully instrumented soil bins to study the tool wear and power requirements for efficient tool design.
- Soyabean and its products have been characterized for their nutrition and consumption safety.
- Cashew shells have been studied for their biochemical composition and combustion behavior with a view to design efficient energy generation system.
- Vibrations transmitted from prime movers to operators have been characterized with a view to determine the methods of reducing vibration stresses on operators.
- Physiology of fruits and vegetables under modified atmospheric conditions has been studied for selecting/designing suitable packaging systems.
- Imaging techniques are being studied for precision application of inputs.
- Animals physiology has been studied for enhancing the output of draught animals in agricultural operations.
- Development of decision support software for tractor/machinery selection, design of irrigation system, etc.

The Indian Council of Agricultural Research has taken initiative to adopt sophisticated farm equipment developed in other countries, to evaluate them under Indian conditions and to commercialize them by local manufactures for popularization under Indian conditions.

List of Practices/Equipment being propagated for modern farm equipment at par with advanced countries:

1. Laser guided land leveler
2. Pneumatic planters
3. Riding type rice transplanters
4. Sugarcane harvester
5. Multi-purpose hydraulic platform (developed by CIAE)
6. Automatic Litchi peeler
7. Cryogenic spice grinding system
8. Pomegranatae Aril extractor
9. Mechanized system for popping and decortications of Makhana seeds
10. Automatic Custard Apple pulper
11. Autoclavable microencapsulator

As has been informed in a written reply in Lok Sabha on 17th March 2015 by Minister of State for Agriculture, Shri Mohanbhai Kundaria, for the advancement of Agriculture, Government uses Information Technology through Centrally sponsored scheme

(i) National eGovernance Plan in Agriculture (NeGP-A)

(ii) Central Sector Scheme – Strengthening/ Promoting Agricultural Informatics Systems.

Under both these Schemes, the funds are released to the State Governments or its designated Implementing agency for implementation of the Schemes. The schemes aim to effect computerization upto the Block level for dissemination of agriculture related information to the farming community through various ICT enabled delivery channels including SMSs, IVRs, Internet Kiosks, and Farmer's Portal.

Indian Council of Agricultural Research (ICAR) has instituted a number of awards for various stakeholders like individual scientists/institutions/ State Agriculture Universities (SAUs)/Krishi Vikas Kendras (KVKs)/farmers etc. for their outstanding achievements.

(Ghanshyam Goel is ADG (Media and Communication), PIB and Samrat Bandopadhyay is Assistant Director (M&C), PIB New Delhi).

DIGITAL INDIA LAUNCHED

The Prime Minister Shri Narendra Modi on July 1, 2015 launched the "Digital India Week" as part of the larger initiative to empower the people and extend services better with the use of information technology and its tools. The Prime Minister also unveiled a logo for Digital India, an umbrella programme that seeks to transform India into a digitally-empowered, knowledge economy with a host of initiatives for a synchronized and coordinated engagement of the government and its agencies.

The larger goal of Digital India includes broadband connectivity in all panchayats, Wi-fi in all the schools and universities and public wi-fi hotspots in all important cities by 2019. It will be deployed in delivering services in areas like health, education, agriculture and banking.

The Prime Minister, Shri Narendra Modi awarding the women, working on 'digital inclusion' in remote areas of India with a laptop & certificate, at the launching ceremony of Digital India Week, in New Delhi on July 01, 2015.

NATIONAL AGRICULTURE MARKET

With the aim to help farmers realize better prices for their products the government proposes to set up a national agriculture market (NAM). NAM proposes to set up an online national agriculture market by intergrating 585 wholesale markets across the country. Under the scheme, 585 selected regulated markets would be covered. The plan is to cover 250 mandis in current fiscal, 200 mandis in 2016-17 and 135 mandis in 2017-18. Unifying the markets both at state and the national level would provide better price to farmers, improve supply chain, reduce wastages and create a unified national market through provision of the common e—platform, the statement said.

What are the likely benefits of NAM?

NAM is envisaged as a win-win solution for all stakeholders. For the farmers, NAM promises more options for sale at his nearest mandi. For the local trader in the mandi, NAM offers the opportunity to access a larger national market for secondary trading, Bulk buyers processors, exporters etc. benefit from being able to participate directly in trading at the local mandi level through the NAM platform, thereby reducing their intermediation costs. The gradual integration of all the major mandis in the States into NAM will ensure common procedures for issue of licences, levy of fee and movement of produce. In a period of 5-7 years we can expect significant benefits through higher returns to farmers, lower transaction costs to buyer and stable prices and availability to consumers. The NAM will also facilitate the emergence of integrated value chains in major agricultural commodities across the country and

help to promote scientific storage and movement of agri goods.

What is the difference between NAM and the existing mandi system?

NAM is not a parallel marketing structure but rather a device to create a national network of physical mandis which can be accessed online. It seeks to leverage the physical infrastructure of the mandis through an online trading portal, enabling buyers situated even outside the State to participate in trading at the local level.

Why is NAM necessary?

It is necessary to create NAM to facilitate the emergence of a common national market for agricultural commodities. Current APMC regulated market yards limit the scope of trading in agricultural commodities at the first point of sale (i.e. when farmers offer produce after the harvest) in the local mandi, typically at the level of Taluka/Tahsil or at best the district. Even one state is not a unified agricultural

market and there are transaction costs on moving produce from one market area to another within the same State. Multiple licences are necessary to trade in different market areas in the same State. All this has led to a highly fragemented and high-cost agricultural economy, which prevents economies of scale and seamless movement of argi goods across district and State borders. NAM seeks to address and reverse this process of fragmentation of markets, ultimately lowering intermediation costs, wastage and prices for the final consumer. It builds on the strength of the local mani and allows it to offer its produce at the national level.

How will NAM operate?

The NAM electronic trading platform will be created with an investment by the Government of India (through the Ministry of Agriculture). It will offer a "plug-in" to any market yard existing in a State (whether regulated or private). The special software to be developed for NAM will be offered to each mandi which agrees to join the national network free of cost and necessary customization will be undertaken to conform to the regulations of each State Mandi Act.

Are there any conditions for joining NAM?

There are three basic criteria for a State to propose mandis for "plug-in NAM:

The state APMC Act must have a specific provision for electronic trading

The State APMC Act must provide for issue of licenses to anyone in India to trade through the NAM in the local mandis.

There must be one single licence for each State to facilitate trading in all mandis of that State and a single point levy of transaction fee.

Will the APMC mandis lose out business due to NAM?

Not true. The NAM basically increases the choice of the farmer when he brings his produce to the mandi for sale. Local traders can bid for the produce, as also traders on the electronic platform sitting in other States. The farmer may chose to accept either the local offer or the online offer. In

either case the transaction will be on the books of the local mandi and they will continue to earn the transaction fee. In fact, the volume of business will significantly increase as there will be greater competition for specific produce, resulting in higher transaction fees for the mandi.

Who will bear the costs of running the NAM?

The national level platform is being developed by the Ministry of Agriculture, which will also bear the maintenance costs. As stated above, the integration costs for local mandis and customization of software training etc. will also be paid for by the Ministry of Agriculture as a one-time grant at the time of accepting the mandi in the national network. Thereafter, the running costs of the software at the local level, staff costs for quality check etc. will be met from the transaction fee to be generated through the sale of produce. The intention is to avoid any upfront investment by the mandi when it integrates into NAM, and also enable it to support the running cost through additional generation of revenue.

Will NAM require special legislation?

No, NAM is being set up as part of an administrative arrangement and requires no enabling legislation as an electronic trading platform.

Who will actually operate the NAM platform?

Ministry of Agriculture, Department of Agriculture & Cooperation (DAC) have mandated Small Farmers' Agribusiness Consortium (SFAC) to act as the Lead Promoter of NAM. SFAC will select a Strategic Partner (SP) through open tender to develop, operate and maintain the NAM platform. DAC will provide budgetary grant support for this initiative. SFAC will operate the NAM with technical support by the SP.

(Source : sfacindia.com)

4. A Credit Guarantee Fund will be created before August 2018 to cover potential defaults in overdrafts;

5. All willing and eligible persons will be provided with micro-insurance by August 2018; and

6. Pension payments under the Swavalamban Yojana scheme for workers in the unorganised sector will be paid through bank accounts by August 2018.

Special Benefits under PMJDY Scheme

a. Interest on deposit.
b. Accidental insurance cover of Rs.1.00 lakh
c. No minimum balance required.
d. Life insurance cover of Rs.30,000/-
e. Easy Transfer of money across India
f. Beneficiaries of Government Schemes will get Direct Benefit Transfer in these accounts.
g. After satisfactory operation of the account for 6 months, an overdraft facility will be permitted
h. Access to Pension, insurance products.
I. Accidental Insurance Cover, RuPay Debit Card must be used at least once in 45 days.
j. Overdraft facility upto Rs.5000/- is available in only one account per household, preferably lady of the household.

The implementation strategy: The implementation strategy of the plan is to utilize the existing banking infrastructure as well as expand the same to cover all households. While the existing banking network would be fully geared up to open bank accounts of the uncovered households in both rural and urban areas, the banking sector would also be expanding itself to set up an additional 50,000 Business correspondents (BCs), more than 7000 branches and more than 20,000 new ATMs in the first phase. Keeping the stiff targets in mind, in the first phase, the plan would focus on first three pillars in the first year starting from 15th August, 2014.The target for setting up additional 50,000 BCs is quite challenging given the constraints of telecom connectivity. In order to achieve this plan, phase wise and State wise targets for Banks have been set up for Banks for the period 15th August, 2014 to 14th August, 2015.

Departments of the Central Government, State Governments, RBI, NABARD, NPCI and others have been indicated. Gram Dak Sewaks in rural areas are proposed as Business Correspondent of Banks. Department of Telecom has been requested to ensure that problems of poor and no connectivity are resolved. It is understood that of the 5.93 lakh inhabited villages in the country (2011 census) only about 50,000 villages are not covered with Telecom connectivity.

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