Empowering the Marginalized

Digital Finance as a Tool for Social Inclusion



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Dr.B. Indira Priyadharshini

EMPOWERING THE MARGINALIZED : DIGITAL FINANCE AS A TOOL FOR SOCIAL INCLUSION

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BRIDGING THE GAP : TRANSFORMING FINANCIAL EXCLUSION INTO DIGITAL INCLUSION THROUGH PRADHAN MANTRI JAN SURAKSHA SCHEMES

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ABSTRACT:

In India, financial inclusion has long been a challenge, particularly for marginalized communities that have been excluded from formal banking systems. Pradhan Mantri Jan Suraksha Schemes (PMJSS), launched by the Government of India, aim to provide accessible and affordable financial services to these underserved populations. This study explores how these schemes are transforming financial exclusion into digital inclusion, with a particular focus on marginalized and economically vulnerable communities. Through these schemes, India is witnessing a significant shift toward digital financial services—empowering individuals with life insurance, accident coverage, and pension plans. The study examines the impact of these schemes on beneficiaries' financial security, access to digital tools, and overall socio-economic improvement. By evaluating the role of these initiatives in promoting digital financial inclusion, this study offers insights into the challenges and opportunities associated with expanding digital financial services to the most vulnerable sections of society.

Keywords: *India, financial inclusion, Pradhan Mantri Jan Suraksha Schemes, Economic Development, Equality and Financial Literacy.*

Objectives of the Study:

1. To evaluate the effectiveness of India, financial inclusion (PMSBY, PMJJBY, and APY) in promoting financial inclusion among marginalized communities.
2. To assess the role of digital platforms in ensuring easy access to insurance and pension services for underserved populations.
3. To review recent updates and policy changes in the Pradhan Mantri Jan Suraksha Schemes, and assess their impact on financial inclusion.

Review of Literature:

Financial inclusion refers to the process of ensuring that individuals and businesses have access to useful and affordable financial products and services, delivered in a responsible and sustainable manner. Financial exclusion, on the other hand, leaves large sections of the population without access to basic financial services, which hinders economic development and personal empowerment. Scholars and researchers such as Sarma (2008) and Sengupta & Gupta (2015) have highlighted how financial inclusion impacts poverty alleviation, economic growth, and social equity. The Pradhan Mantri Jan Suraksha Schemes, introduced in 2015, have been a critical step toward achieving universal financial inclusion. According to Saha (2017), the PMJSS represent an attempt to provide affordable insurance coverage and a pension scheme to the unorganized sector. The schemes have seen substantial uptake, with millions of citizens enrolled across the country, particularly those who had no access to such services previously.

Scope of the Study:

The scope of this study is primarily limited to the Pradhan Mantri Jan Suraksha Schemes, which include:

- Pradhan Mantri Suraksha Bima Yojana (PMSBY): Accident insurance.
- Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY): Life insurance.
- Atal Pension Yojana (APY): Pension scheme for workers in the unorganized sector.

The study will focus on marginalized communities such as rural populations, low-income groups, women, and the unbanked who are the primary beneficiaries of these schemes. The research will be conducted in select districts across India to understand the regional variations in the accessibility and impact of these schemes. It will also cover the digital tools used for enrollment, premium payments, and benefit claims.

Need for the Study:

- Financial Inclusion remains a critical issue for marginalized communities in India. While the government has taken steps to ensure that these populations have access to basic financial services, challenges persist, especially when it comes to the digital divide.

- The Pradhan Mantri Jan Suraksha Schemes have been instrumental in providing a cushion to low-income, unbanked individuals, but there is a lack of comprehensive data on how these schemes are specifically impacting beneficiaries in terms of digital access, literacy, and overall empowerment.
- The current research will fill this gap by examining not only the effectiveness of the schemes but also the digital literacy, technology adoption, and social inclusion aspects of the beneficiaries.

How these schemes are beneficial to society, especially to vulnerable and underserved populations:

1. Providing Financial Security to Low-Income Families:

- PMSBY (Accident Insurance) and PMJJBY (Life Insurance) offer affordable financial protection for low-income families. The coverage provided under these schemes is significant in ensuring that individuals and their families don't fall into poverty in the event of an accident or untimely death.

✓ For instance, PMSBY offers ₹2 lakh coverage for accidental death and ₹1 lakh for permanent disability, which can provide substantial financial support to the family during times of crisis.

✓ PMJJBY, with its ₹2 lakh life insurance coverage, ensures that families of the deceased don't have to bear the financial burden alone.

- Impact on Society: These schemes reduce the vulnerability of economically weaker sections to life's uncertainties, like accidental deaths or health emergencies, and prevent families from slipping into deeper poverty. It acts as a social safety net.

2. Enhancing Financial Inclusion for the Unbanked:

- One of the key objectives of PMJSS is to bring the unbanked population into the formal financial system, especially those who are excluded from traditional banking and insurance services.

✓ These schemes are linked to bank accounts and offer easy access to insurance and pension services via digital platforms, making it easier for people in remote villages or marginalized communities to avail of such services.

- Impact on Society: This inclusion of marginalized groups into the formal financial system ensures that they have access to insurance coverage and pension schemes that they may not have been able to afford otherwise. It bridges the financial divide between the urban wealthy and rural poor, fostering economic equality.

3. Empowering Women and Vulnerable Populations:

- Many women, particularly in rural areas, face significant barriers to accessing financial services. The Pradhan Mantri Jan Suraksha Schemes target financial inclusion for these vulnerable groups.

✓ Women, especially in rural households, are often excluded from formal banking or insurance systems due to lack of financial literacy, cultural barriers, and lack of access to physical banking infrastructure.

✓ These schemes are low-cost, easy to access, and widely promoted through government awareness programs, making it easier for women and other vulnerable populations to secure financial protection.

- Impact on Society: Empowering women and marginalized populations with financial tools like life insurance and pension schemes helps in creating gender equality and economic independence. It encourages self-reliance and reduces dependence on male family members for financial security.

4. Reducing the Economic Burden of Health and Accidents:

- Accidents and health crises can devastate low-income families, pushing them into debt and poverty. PMSBY provides coverage for accidental deaths and disabilities, while PMJJBY provides life insurance, both of which help reduce the economic burden.

- Impact on Society: By offering affordable premiums and easy access to these financial products, these schemes ensure that families are protected financially during emergencies, reducing the need for expensive out-of-pocket medical expenses or borrowing. This helps in preventing people from falling into long-term debt traps and promotes economic stability.

5. Promoting Long-Term Financial Planning through APY (Atal Pension Yojana):

- APY helps workers in the unorganized sector, particularly those who do not have access to any form of pension scheme, to save for retirement and secure a steady income after they reach 60 years of age.

✓ APY offers a guaranteed minimum monthly pension ranging from ₹1,000 to ₹5,000, depending on the contribution made during the working years. This ensures that workers who might otherwise not have any retirement savings are supported financially in their old age.

- Impact on Society: APY provides a long-term financial safety net for workers in the unorganized sector who would otherwise depend solely on their family for financial support in their old age. This increases social stability and reduces reliance on government aid or charity.

6. Promoting Digital Financial Literacy:

- The integration of these schemes with digital platforms (e.g., mobile banking, UPI, Aadhaar-enabled services) is a crucial aspect of their effectiveness. As a result, beneficiaries are encouraged to use digital tools for enrollment, premium payments, and claims processing.

- Impact on Society: This helps improve digital literacy, especially among the elderly, women, and those from rural or remote areas. Digital financial tools not only enhance access to the schemes but also empower people to manage their finances in a modern, efficient way, aligning with India's vision of a Digital India.

7. Fostering Social and Economic Security for All:

- The Pradhan Mantri Jan Suraksha Schemes, as a collective, are designed to provide basic social security (insurance and pension) to people who do not have the luxury of employer-based benefits or access to traditional financial instruments.

✓ They are designed to be low-cost, easy-to-enroll, and simple to use, with the aim of removing barriers like high premiums, complex processes, and inaccessibility that often prevent marginalized communities from utilizing these services.

- Impact on Society: These schemes foster a sense of security among people who previously lacked any form of financial protection. By addressing the risk of vulnerability, they contribute to a more stable

society, where people feel secure knowing they have a safety net during unexpected events like accidents, death, or retirement.

8. Boosting Economic Growth:

- Financial inclusion and access to insurance and pensions are critical for economic growth. When individuals are covered by schemes like PMSBY, PMJJBY, and APY, they are less likely to fall into poverty due to unexpected life events.

✓ This, in turn, can help create a stronger, more resilient economy where people are empowered to invest, save, and contribute to growth, rather than struggling to meet immediate financial needs.

- Impact on Society: As more individuals access financial protection, their ability to spend, invest, and save in the economy grows. This helps contribute to economic stability and sustainable growth.

Recent Developments in the Schemes:

1. Increased Enrollment: Over the past few years, the enrollment numbers for the Pradhan Mantri Jan Suraksha Schemes have seen significant growth. For example, the PMJJBY and PMSBY together have covered more than 20 crore individuals.
2. Digital Integration: The government has integrated digital payment platforms like BHIM UPI, Aadhaar, and mobile apps to facilitate smoother enrollment, premium payments, and claims processing, thus simplifying access to these services.
3. Subsidy and Government Support: The government continues to provide premium subsidies for eligible individuals under these schemes, making them affordable for low-income groups.
4. Policy Updates: The schemes have undergone various policy updates, such as increasing the coverage limits, lowering premiums, and extending the schemes to more unbanked populations, particularly in rural areas.

Conclusion:

The Pradhan Mantri Jan Suraksha Schemes are not just financial products—they are empowering tools that provide security, equality, and economic opportunity for millions of Indians, especially those from marginalized and underserved communities. By bridging the gap between formal financial

systems and vulnerable populations, these schemes help build a more inclusive and resilient society, where individuals are protected against life's uncertainties and can plan for the future with confidence. These schemes, through their affordability, digital access, and wide coverage, create a strong foundation for a secure society, where everyone, regardless of their income or background, has the chance to live a financially stable and empowered life.

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