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Ministry of Labour & Employment, Govt. of India

Financial Literacy and Govt Schemes

Use of Digital devices or interfaces and cashless India is the mission of present Government of India. The importance of this mission is being felt, especially after the demonetization. According to economists, one of the causes of Financial Crisis is 'lack of financial literacy'. India is a developing country and we are entering into second phase of Financial Sector Reforms. so, integration of our economy with world economy need to increase further.

Now the basic questions are

Am I aware about my financial matters?

Is it not requiring to acquire above knowledge?

Am I responsible to plan my future or anyone else for me?

Understanding Financial Literacy

Financial literacy is a person's ability to understand, analyze, manage, and communicate personal finance matters. More specifically, the set of skills and knowledge that allows an individual to make informed and effective decisions through their understanding of finances. It is the ability to make informed judgments and take effective decision regarding the use and management of money. The digital mode of all of this comes in digital financial literacy. Digital financial literacy is directly link or knowledge of online purchasing, online payment through different modes, and online banking system.

Why Financial Literacy

Finances are important part of everyday life and financial literacy is the best way to prevent over-indebtedness of citizens. Financially literate citizens are well versed in issues of money and prices, and are able to manage their personal budget responsibly. Financial literacy helps individuals to improve their level of understanding of financial matters which enables them to process financial information and make appraised decisions about personal finance. Improvement of financial literacy in the country is imperative for financial wellbeing of individuals as well as for the economy.

Financial Literacy and Financial inclusion for Social Security

The reach of basic financial services to every citizen is known as financial inclusion. The concept of financial inclusion is mostly applicable for that section of society who still does not have access to basic financial services. Indian government has done many efforts for financial inclusion. Few among them are Pradhan Mantri Jan Dhan Yojana, Jeevan Jyoti Bima Yojana, Suraksha Bima, MUDRA Bank Yojana, Pradhan Mantri Shram Yogi Man-Dhan etc.

Pradhan Mantri Jan Dhan Yojana

This Yojana was launched on 28 August 2014 with a mission of ensuring access to easy financial services for the excluded section i.e. weaker section and the low income group. As per the scheme one could open an account in any bank branch or Business correspondent outlet with zero balance. The process of opening an account has been made easier. It was an approach to bring about comprehensive financial inclusion of all households in the country. The aim of the scheme is access to banking facilities, financial literacy, and access to credit, insurance and pension facility. Moreover, the beneficiaries would get RuPay Debit card having inbuilt accident insurance covers of Rs. 1 lakh. The plan also envisages channeling all Government benefits to the beneficiaries' accounts and pushing the Direct Benefits Transfer Scheme of the union Government.

Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)

PMJJBY provides a death coverage of Rs 2,00,000 to the beneficiary of the policy in the case of the sudden demise of the insured person. As PMJJBY is a pure term insurance plan, it does not offer any maturity or surrender benefit.

Who is eligible for PMJJBY scheme?

The PMJJBY is available to people in the age group of 18 to 50 years having a bank account who give their consent to join / enable auto-debit. Aadhar would be the primary KYC for the bank account. The life cover of Rs. 2 lakhs shall be for the one-year period stretching from 1st June to 31st May and will be renewable.

What is the premium amount for the PMJJBY scheme?

The premium rate of PMJJBY has been revised upward to Rs 1.25 per day, translating into an increase from Rs 330 to Rs 436 annually.

Pradhan Mantri Suraksha Bima Yojana (PMSBY)

PMSBY is an Accident Insurance Scheme offering accidental death and disability cover for death or disability (2-lakh) on account of an accident. It would be a one-year cover, renewable from year to year.

Scope of coverage: All individual bank/ Post office account holders in the age group of 18 to 70 years in participating banks/ Post office will be entitled to join. Aadhar is the primary KYC for the bank/ Post office account.

Enrolment Modality / Period: The cover shall be for the one-year period stretching from 1st June to 31st May for which option to join / pay by auto-debit from the designated bank/ Post office account on the prescribed forms will be required to be given by 31st May of every year. Joining subsequently on payment of full annual premium would be possible.

Premium: Rs. 12/- per annum per member. The premium will be deducted from the account holder's bank/ Post office account through 'auto debit' facility in one

instalment on or before 1 st June of each annual coverage period under the scheme. However, in cases where auto debit takes place after 1st June, the cover shall commence from the date of auto debit of premium by Bank/ Post office. The premium would be reviewed based on annual claims experience.

Micro Units Development and Refinance Agency (MUDRA)

Pradhan Mantri Mudra Yojana is a Government of India scheme, which enables a small borrower to borrow from banks, MFIs, NBFCs for loans upto 10 lakh for non farm income generating activities. Generally, loans upto ` 10 lakh issued by banks under Micro Small Enterprises is given without collaterals

What is the main objective of Mudra bank?

The main objectives of Mudra Bank are, **to encourage entrepreneurs and small business units to expand their capabilities and operations, to reduce over indebtedness and to provide formal system of credit (finance)**

Who is eligible for MUDRA Yojana?

Anyone who runs a business enterprise is eligible to apply for a MUDRA (Micro Units Development and Refinance Agency) loan. The purpose of the Mudra loan is to support small and medium businesses that do not have access to a formal channel of borrowing funds.

What is the interest rate in MUDRA loan?

The scheme offers a sanction that ranges from Rs. 50,000 to Rs. 5 lakh at the Mudra interest rate decided by the lending institution in question. In Kishore Mudra Yojana, the interest rate may range from **8.60% to 11.15% or more** and is based on the scheme's guidelines and your credit history.

Pradhan Mantri Shram Yogi Man-dhan

Pradhan Mantri Shram Yogi Maan Dhan is a government scheme meant for old age protection and social security of Unorganized Workers (UW).

Unorganized Workers (UW) are mostly engaged as home-based workers, street vendors, mid-day meal workers, head loaders, brick kiln workers, cobblers, rag pickers, domestic workers, washer men, rickshaw pullers, landless laborers, own account workers, agricultural workers, construction workers, beedi workers, handloom workers, leather workers, audio- visual workers or workers in similar other occupations. There are approximately 42 crore such Unorganized workers in the country.

It is a voluntary and contributory pension scheme under which the beneficiary would receive a minimum assured pension of Rs 3000/- per month after attaining the age of 60 years and if the beneficiary dies, the spouse of the beneficiary shall be entitled to receive 50% of the pension as family pension. Family pension is applicable only to spouse.

On the maturity of the scheme, an individual will be entitled to obtain a monthly pension of Rs. 3000/-. The pension amount helps pension holders to aid their financial requirements.

The scheme is a tribute to the workers in the Unorganized sectors who contribute around 50 per cent of the nation's Gross Domestic Product (GDP).

The applicants between the age group of 18 to 40 years will have to make monthly contributions ranging between Rs 55 to Rs 200 per month till they attain the age of 60.

Once the applicant attains the age of 60, he/ she can claim the pension amount. Every month a fixed pension amount gets deposited in the pension account of the respective individual.

Eligibility Criteria

For Unorganized Worker (UW)

Entry age between 18 to 40 years

Monthly Income Rs 15000 or below

He/ She should possess

Aadhaar card

Savings Bank Account / Jan Dhan account number with IFSC

These schemes and programmes are devised for financial inclusion as well as Social Security for the unorganised sector workers.

Before proceed to discuss on Financial Literacy, let us have a self-check

1. I keep track of my expenses on a regular basis.

Never sometimes always

2. Within the last year, have you used credit to pay living expenses?

Yes No Yes, but I pay in full

3. Do you have accounts other than savings account?

Yes No if yes, Post office or banks

4. Do you have investments?

Yes No If yes, Govt or private

5. Do you have any financial plan for future?

Yes No will not disclose