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**PERCEIVED PERCEPTION OF MICRO CREDIT BENEFICIARIES ABOUT FINANCIAL INCLUSION: A STUDY ON BENEFICIARIES OF PRIME MINISTER EMPLOYMENT GENERATION PROGRAMME (PMEGP) IN INDIA**

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**ABSTRACT**

*Financial inclusion, a multifaceted phenomenon has become one of the key indicators of economies' success and gathered significant attention these days. The present paper focuses on unemployed youth who have got micro credit facility from government of India (GoI) under Prime Minister Employment Generation programme (PMEGP) scheme and their perception about financial inclusion in real terms. It leverages the survey about the An analysis of Financial Inclusion and Prime Minister Employment Generation programme in India and also took the help of secondary data sources. Along with descriptive analysis, grounded theory approach was used to explore new themes concerning financial inclusion plan's i.e., PMEGP micro credit beneficiaries. Four Distinct themes were emerged from the data concerning to the themes emerged were : (a) Perceived unawareness among the people about Financial Inclusion Plans (FIP) (b) Lack of interest of bank people in giving guidance (c) Perceived Lot of documentation and red tapism (d) Literacy is confused with the term financial literacy. And based on the findings of the study, the possible strategies to be adopted by policy makers.*

**KEYWORDS**

financial inclusion, perception, government, beneficiaries.

**JEL CODES**

C81, C83, D03, H81.

**1. INTRODUCTION**

**1.1. Financial Inclusion**

Though there is a growing consensus about the key importance of financial inclusion, but unanimity about its meaning does not exist around its definition, which actually vary depending on the national context and on the stakeholders involved in it. Though a variety of catchy phrases like 'banking the unbanked', 'branchless banking', are sometimes used as near synonymous for financial inclusion, yet they only describe specific aspects of a broader concept. World Bank observes that financial inclusion is about providing access to an adequate range of safe, convenient and affordable financial services to disadvantaged and other vulnerable groups including low income, rural and undocumented persons, who have been underserved or excluded from the formal financial sector. It is also, on the other hand, about making a broader range of financial services available to individuals who currently only have access to basic financial products. Financial inclusion has emerged as a hot topic on the global agenda for sustainable long term economic growth. Central banks of both the emerging and developed economies have put in place various initiatives to uplift the financial inclusion graph in their countries. In addition to central bank's initiatives, the G20, International Finance Corporation (IFC), IMF, the consultative group to assist the poor (CGAP) and the Alliance for Financial Inclusion (AFI), are assuming an increasingly very active role at the global in gathering the data and setting standards to improve financial inclusion.

According to United Nations report, financial inclusion encompasses two dimensions of customer access. First, it refers to a customer with access to arrange of formal financial services, from simple ones like credit and savings to more complex one like insurance and pensions. Second, it implies that customers have access to more than one provider of financial services, thus, increasing access to a variety of competitive options.

**1.2. Prime Minister Employment Generation Programme (PMEGP)**

Prime Minister's Employment Generation Programme (PMEGP) is a credit linked subsidy programme administered by the Ministry of Micro, Small and Medium Enterprises (MoMSME), Government of India. Khadi & Village Industries Commission (KVIC), a statutory organization under the administration of Ministry of MSME is the nodal agency at national level for implementation of the scheme. At state level the scheme is implemented through KVIC, KVIB and District Industries center.

**OBJECTIVE**

- To generate employment opportunities in rural as well as urban areas through setting up of self employment ventures.
- To bring together widely dispersed traditional artisans/ rural and urban unemployed youth and give them self-employment opportunities to the extent possible, at their place and also to increase their income
- To provide continuous and sustainable employment to a large segment of traditional and prospective artisans and unemployed youth, so as to help arrest migration of rural youth to urban areas.

**SCOPE**

- The scheme is applicable to all viable (technically as well as economically) projects in rural as well as urban areas, under Micro enterprises sector.
- The maximum cost of the project admissible under manufacturing sector is Rs.25 lakhs and business/services sector is RS.10 lakhs.
- Only one person from family is eligible for obtaining financial assistance under the scheme.
- Assistance under the Scheme is available only for new projects
- The scheme is aimed at encouraging manufacturing sector.
- The assistance under the scheme will not be available to activities indicated in the negative list including business activities like grocery shop, stationery shops etc; farm related activities like goatery, piggery, poultry etc; and urban/rural transport activities(except auto rickshaw, tourist boat & house boat in A & N Islands; Shikara & tourist boat in J & K, & cycle rickshaw)

**ELIGIBLE ENTREPRENEURS / BORROWERS**

- Any individual, above 18 years of age
- There will be no income ceiling for assistance for setting up projects under PMEGP.

- The beneficiaries should have passed at least VIII standard, for setting up of project costing above Rs.10 lakh in the manufacturing sector and above Rs. 5 lakh in the business /service sector,
- Self Help Groups (including those belonging to BPL provided that they have not availed benefits under any other Scheme) are also eligible for assistance under PMEGP.
- Institutions registered under Societies Registration Act, 1860
- Production Co-operative Societies
- Charitable Trusts
- Existing units (Under PMRY, REGP or any other scheme of Government of India or State Government) and the units that have already availed Government Subsidy under any other scheme of Government of India or State Government are not eligible.

#### SELECTION OF BENEFICIARIES

The beneficiaries will identified & selected at the district level by a Task Force consisting of representatives from KVIC/State KVIB/State DICs and Banks and headed by the District Magistrate / Deputy Commissioner / Collector concerned.

#### PROJECT COST

Cost of the project should not exceed Rs. 25 lakhs in respect of manufacturing activity and Rs. 10 lakhs in respect of Service / business activity for all categories of eligible borrowers.

**TABLE 1: CATEGORY CUM AREA WISE SUBSIDY ELIGIBILITY CRITERIA**

|                                            | Bank finance | Subsidy from KVIC |            | Promoter's contribution |
|--------------------------------------------|--------------|-------------------|------------|-------------------------|
|                                            |              | Urban area        | Rural area |                         |
| General Category beneficiary / institution | 90%          | 15%               | 25%        | 10%                     |
| Special category beneficiary/institution   | 95%          | 25%               | 35%        | 5%                      |

Source: PMEGP guidelines, Govt. of India, 2008

#### 1.3. Linkage between financial inclusion and Prime minister Employment Generation Programme (PMEGP)

The term financial inclusion in broader sense comprises of many elements including offering micro credit as observed by the World Bank and Prime minister Employment Generation Programme is one scheme where the government of India offers both micro credit at a subsidized rate and an employment opportunity to unemployed youth.

#### 1.4. Objectives of the research

- To study and understand the concept of financial inclusion and Prime Minister Employment Generation Programme (PMEGP) in India.
- To study and analyse the perceived perception of PMEGP scheme beneficiaries about financial inclusion.
- To identify the themes of beneficiaries on financial inclusion.
- To develop the strategies to execute financial inclusion plan in an effective way.

## 2. RESEARCH METHODOLOGY

### 2.1. Location

The study was conducted in 7 tahsils i.e., Mundaragi, Naragund, Shirahatti, Ron and Gadag-betageri, Gajendragada, lakshmeshwara of Gadag District of Karnataka State. The area is considered as one of the backward areas on terms of literacy, economical development in Karnataka state.

### 2.2. Sampling

On the basis of data provided by PMEGP website, collected the database of 161 micro credit beneficiaries. Amongst those 92 are from rural area, 9 from semi urban area and 60 from urban area based. The findings of the study are based on the perspectives provided by the PMEGP beneficiaries of all 7 tahsils. After getting consent/permission from those beneficiaries, researchers went to each of the micro credit beneficiaries and conducted survey. The survey phase was ended when we reached "Theoretical saturation" i.e., when no new and relevant data emerged from one new surveys (Glaser and Strauss, 1967: Strauss and Corbin, 1998). The final sample consisted of 101 PMEGP beneficiaries out of which 66 from rural area, 10 from semi-urban, and 25 from urban area.

### 2.3. Research Design

The study was conducted after preparing a structured questionnaire using survey method. Though it was a survey because the target beneficiaries were unable to grasp the questionnaire, we took interviews wherever necessary. The interview cum survey process is done between January 10, 2017 to march 28, 2017. Two authors simultaneously conducted the interviews cum survey. Questionnaire included the scaling questions and permit probing for additional information. The original questionnaire was first pilot tested with 10 beneficiaries who took subsidized loan after undergoing into necessary training as prescribed by the PMEGP scheme and now have started their own business.

The qualitative design which we have constructed enabled to meet the objectives of the research by permitting exploration of different issues that emerged around the attitude of rural, semi-urban and urban area micro credit beneficiaries under PMEGP scheme towards financial inclusion and this programme. A qualitative approach was appropriate for this study because of the exploratory nature of our research. In addition, the study used qualitative methods to enable explore both experiences and attitude of the scheme beneficiaries towards the success, implication of financial inclusion. Only 11 beneficiaries refused to participate in the study and all other participants were assured that there voluntary participation for project would remain anonymous. Finally, the codification of data with regard to the basic dimensions, the data was analyzed by the two authors independently using the same codification scheme. The analysis focused on detecting commonalities or patterns of agreement/convergence in the statements provided, but areas of divergence were equally noted/highlighted. Several meetings were subsequently organized till a consensus emerged between the authors. The analysis of the data thus followed a grounded theory approach to explore new themes. Analysis used constant comparative method of qualitative data analysis (Glaser and Strauss, 1967), and common technique to code the data (Constas, 1992; Miles and Huberman, 1994).

## 3. RESULTS

Here, in this section the results of the study are discussed. This section is organized as follows. First the demographic profile of the informants i.e., micro credit beneficiaries is given. Next, the themes related to the beneficiaries of the Financial Inclusion plan i.e., PMEGP, as emerged from the data gathered from structured questionnaire and discussion. Third, the themes related to the beneficiaries of Financial Inclusion plan (PMEGP) as emerged from the in-depth structured interview are discussed.

### 3.1. Demographic profile of informants (beneficiaries of financial inclusion)

Table 2 given below describe the demographic profile of the informants participated in the study. The sample consists of male and female, majorities being male i.e., 74 out of 91 informants (81.31%) majorities in the age group of 30 to 40 years (52.7%). Most of the informants were having rural background (72.7%), followed by urban (22.8 %). 4.5 % of the participants were from semi-urban background. As far as academical qualification is considered lion share of the sample is well qualified that is degree and masters (71.5%). The profile also depicts some data related to the occupational activity which the beneficiaries have undertaken using micro credit facility of this scheme.

TABLE 2: DEMOGRAPHIC PROFILE OF THE STUDY RESPONDENTS

| Category                |                                                                                                                                                                                                                                                                 | Frequency | Percentage |
|-------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|------------|
| Gender                  | Male                                                                                                                                                                                                                                                            | 74        | 81.3%      |
|                         | Female                                                                                                                                                                                                                                                          | 17        | 18.7%      |
| Family background       | Rural                                                                                                                                                                                                                                                           | 66        | 72.7%      |
|                         | Semi-urban                                                                                                                                                                                                                                                      | 21        | 22.8%      |
|                         | Urban                                                                                                                                                                                                                                                           | 4         | 4.5%       |
| Age (years)             | Below 30                                                                                                                                                                                                                                                        | 32        | 35.2%      |
|                         | 30-40                                                                                                                                                                                                                                                           | 48        | 52.7%      |
|                         | 40-50                                                                                                                                                                                                                                                           | 9         | 9.9%       |
|                         | 50 yrs and above                                                                                                                                                                                                                                                | 2         | 2.2%       |
| Marital Status          | Married                                                                                                                                                                                                                                                         | 68        | 74.7       |
|                         | Unmarried                                                                                                                                                                                                                                                       | 23        | 25.3       |
| Academic Qualification  | standard VIII                                                                                                                                                                                                                                                   | 0         | 0%         |
|                         | Upto SSLC                                                                                                                                                                                                                                                       | 20        | 22.0%      |
|                         | 10+2 (PUC)                                                                                                                                                                                                                                                      | 29        | 31.9%      |
|                         | Degree                                                                                                                                                                                                                                                          | 36        | 39.6%      |
|                         | Master Degree                                                                                                                                                                                                                                                   | 6         | 6.6%       |
| Social category (caste) | GM                                                                                                                                                                                                                                                              | 18        | 19.8%      |
|                         | OBC                                                                                                                                                                                                                                                             | 52        | 57.1%      |
|                         | SC/ST/Minority                                                                                                                                                                                                                                                  | 19        | 20.9%      |
|                         | Differently abled/ex-service man                                                                                                                                                                                                                                | 2         | 2.2%       |
| Employment Activity     | Cement blocking, brick bhatta, wood work, polishing of granitestone slabs/granite crushing                                                                                                                                                                      | 11        | 11.7%      |
|                         | manufg of silk saries, manfg of decor bulbs, manfg of packing items of plastics, manfg of poly-bags,manfg of storage batteries, manfg of moquito killers, tailoring and preparation of readymade garments, cottage match industry/manufg if fireworks and agarb | 23        | 25.3%      |
|                         | cable tv network/computer centre, offset printing/binding, printing press and screen printing, screen printing, servicing of electronic appliances and equipments, video and photo studio, xerox centre                                                         | 9         | 9.7%       |
|                         | bambooo and canework, basket making and bag making, leather works, carved wood and artistic furniture making, cotton bed pillows, goldsmith                                                                                                                     | 9         | 9.7%       |
|                         | bakery products, indian sweets making, khus tattis and groom making, masala udyog, milk products making                                                                                                                                                         | 3         | 3.2%       |
|                         | vermicelli shavige machine, poha making uni/ popcorn, powder atta chakki/flour mill, manufacturing of ice candy, manufacturing of food industry                                                                                                                 | 11        | 12.3%      |
|                         | cattle feed, groundnut decordinator(seed/oil purpose), manufacture of jute products(under fibre industry)                                                                                                                                                       | 5         | 5.2%       |
|                         | Engg works, engg works(agri implements), fabrication works, gen engg works(grill painting), glassed decoration cutting, hiring of soundsystem like loud speakers, motar winding, repairs of deisel engines of pumpsets, welding works                           | 7         | 7.8%       |
|                         | others, blanks, not specified                                                                                                                                                                                                                                   | 14        | 14.9%      |

3.2. Credit Beneficiaries about Financial Inclusion (FI)

Four distinct themes emerged from the data concerning the beneficiaries of financial inclusion scheme i.e., Prime Minister Employment Generation programme. The summary of these themes is presented in Table 3 Subsequently each theme is discussed in greater detail. Verbatim quotation has been selected that are representative of the data.

TABLE 3: BENEFICIARIES THEMES IN FINANCIAL INCLUSION PLAN

|         | Theme                                                                        | Representative Comments                                                                                                                                                                                                                                                                                                                                             |
|---------|------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Theme 1 | Perceived unawareness among the people about Financial Inclusion Plans (FIP) | "No, there is no clarity of thought about financial inclusion among people of this area may be due to the fact that either they think its about opening of 'No Frill Accounts' or something that relates only to the commercial banks."                                                                                                                             |
| Theme 2 | Lack of interest of bank people in giving guidance                           | "Bank officials do not give proper guidance as to how to avail loan, necessary documents required, always procrastinate in helping beneficiaries"                                                                                                                                                                                                                   |
| Theme 3 | Perceived Lot of documentation and red tapism                                | "To avail a financial support from government agency means we assume, that the financial support will take its own course of time and lot of documentation will be involved so we turn towards other means. But after availing benefit of PMEGP what we have understood is that it's about proper information that is needed to avoid confusions about the system." |
| Theme 4 | Literacy is confused with the term financial literacy                        | "Though I am BA graduate I am unable to understand the terms of bankers and could not understand the terms of agreement. Many like me are just literates and lack financial literacy. Fortunately under this scheme training facility is giving but implementation part needs to be water tighten."                                                                 |

3.2.1. Theme 1: Perceived unawareness among the people about Financial Inclusion Plans

It has been observed that across informants, many respondents noted that financial inclusion plans are not clearly understood by the people. As one of the respondent explained:

"I got to know about prime minister employment generation programme from one of my friend as loan scheme. But felt surprised about the fact that many of us still consider this scheme as a loan imparting scheme without security"

Further, the respondents also noted that awareness can be created in long run through sustainable support from the government agencies. Further, it will help poor and vulnerable sections who used to take loans at higher rate and are outreach to main stream of formal financial system in a broader sense. They just keep a bank account for name sake and most of the transactions happen on cash bases.

*“Rural area is in need of formal financial support where money launderers still play a major role and they of course it is we who approach them for our emergency needs which will be satisfied by them quickly. The only thing is that advances are so costly.”*

**3.2.2. Theme 2: Lack of interest of bank people in giving guidance**

The Second theme emerged around the lack of interest of bank official in performing financial inclusion related activities. Though reasons are many, majority of the informants opine that the activities related to financial inclusion are assumed as burden on part of bank officials so the delay in execution. As an individual noted *“We will be behind the bank officials to remind about our projects, they think sanctioning loan to people like me is a unwanted thing as we will not be giving handsome accretions in terms of rate of interest.”*

The attitude of the bank officials towards advancing for scheme beneficiaries is found not satisfactory as per the beneficiaries’ unanimous utterance. One of them says, *“It is the government that forcing bankers to co-operate with us else bankers will never help us who are like burden to them. They are not used to give detailed information to us but will give some documents which we could not understand properly”*

Few are of opinion that bank officials are given much work and they will be in stress and that may be the reason why they could not attend everyone in person.

**3.2.3. Theme 3: Perceived Lot of documentation and red tapism**

Financial inclusion plans are to help the down trodden, poor and illible people by taking them into mainstream of the financial system of the economy and uplift them from their present level into next higher level so that inclusive growth can happen. Postmortem history about government offices and procuring loan from banks is terrible in the minds of the people. They assume lot of documentation and of course lot of delay in getting a benefit in government linked financial benefits. One of the respondents noted, *“Had the PMEGP website and bank officials are given the details in our vernacular language and in detail we would get things faster but due a small communication non synchrony there will be a un necessary delay in the process”*

The review of our projects and the sanction of loan and training given are good but there is a need of acceleration in sanctioning of subsidized advances to the beneficiaries. Another beneficiary says, *“Though this scheme is very good, people think ‘let’s not go for it’ because its governments project and its only given to BPL and socially backward sections but that is not so. This massage is not been conveyed to majority of the youngsters.”*

**3.2.4. Theme 4: Literacy is confused with the term financial literacy**

Another theme emerged was financial illiteracy issue. Many of the respondents admit that they could not read and understand reports and financial statements. In this regard one of the informants opine, *“Happily this scheme imparts us financial literacy. We can run our business effectively if we are financial literates. Through proper training facility this scheme is making us financial literates.”*

Many of the financial inclusion plans just hovers around pulling the outreach section into the mainstream but this plan also stretch its hand towards financial literacy, which is commendable. As one of the beneficiary share,

*“Now I can read budget copy and I can understand finance related terminologies. Thanks to Gitserd training and pmegp scheme”*

*Financial inclusion plans are taking good shapes day by day, which is evidenced by this scheme.*

**4. DISCUSSIONS**

In this part, we will be throwing some light on the major challenges that are evidenced by our exploratory investigation. The beneficiaries are likely to face major challenges from 3 domain i.e., lack of trust among people towards commercial banks, communication gap between the government plans and the people, and financial literacy. In order to overcome the challenges, the possible strategies as suggested by the informants are discussed in table 4. However, the possible strategies as suggested are exploratory in nature and its implementation is contingent upon the further evidence and deliberations amongst various stakeholders.

| TABLE 4: STRATEGIES TO EXECUTE FINANCIAL INCLUSION PLAN IN AN EFFECTIVE WAY |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-----------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Challenge                                                                   | Possible Strategies                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Lack of trust among people towards commercial banks.                        | <ol style="list-style-type: none"> <li>1. Finding the reason behind this by counseling bank officials and to give proper training to them if found necessary.</li> <li>2. It’s better to approach people through village administration as they trust them more.</li> <li>3. Giving poor customers due recognition and regards so that they feel comfortable in bank.</li> <li>4. After looking into its viability to open separate section for government plan related beneficiaries.</li> </ol>                                                                                                                                                                                                                                                                                                |
| Communication gap between the government plans and the people.              | <ol style="list-style-type: none"> <li>1. To create awareness among people about the governments run schemes via local governments and village administration.</li> <li>2. Use of Information Communication Technology (ICT).</li> <li>3. Using Business Correspondents (BC) in spreading relevant information to the target people.</li> </ol>                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Financial literacy                                                          | <ol style="list-style-type: none"> <li>1. To start a comprehensive financial education program parallel to financial inclusion program, which is going on only with this FIP, i.e., pmegp but need to be extended towards other plans too.</li> <li>2. Reducing the cost of educating unbanked customer using innovative methods and technologies which suites the need of illiterate customers.</li> <li>3. Engaging trusts, NGOs and local educated people in financial education.</li> <li>4. Educational institution should play a role similar to the role played by commercial banks in FIP.</li> <li>5. Creating awareness by putting advertisement in radio and other media, which has to reach the poor, specifically in local languages so that it would be more effective.</li> </ol> |

**5. LIMITATIONS AND FUTURE DIRECTIONS OF RESEARCH**

The objective of the study was to explore the perceived perceptions of the financial inclusion plan (PMEGP) beneficiaries about financial inclusion and to address the problems associated with the same. This study has used qualitative technique of data analysis Based on the findings of the study, three major research directions emerge is: A) How to increase the trust level between the people and the financial suppliers i.e., commercial banks? B) How to fill the communication gap between the government plans and the target people? C) How to uplift the magnitude of financial literacy of the literate people? Further, future research targeted to model the micro credit beneficiaries’ impact on financial well being would be invaluable. As well as studies which incorporate data collection to permit empirically validating of the model will further validate the findings of the study.

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