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Shaping New India through Financial Inclusion in form of PMJDY

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Abstract:
Financial Inclusion is now innovative concept yet not new to researchers, policy makers and academicians. Financial Inclusion simply means to create financial system at ease for poor people of economy. Financial system excluded certain segments of people in early stage of economic development. However, government attempted to reach this segment by framing different policies but seemed to be fruitless exercise due to lack of effective execution of policies. As a part of Financial Inclusion, government of India introduced "Pradhanmantri Jan Dhan Yojna". The research has made attempt to study "Pradhanmantri Jan Dhan Yojna" with reference to its salient features, achievements and future in Indian economy.

Keywords: *Financial Inclusion, Excluded Segment, Financial services, Pradhanmantri Jan Dhan Yojna*

1. Introduction

Economy of any country has always supported the wealthier one. As "Fittest can survive" implies to most domains, but it needs to be thought upon that everyone can be participant in economy and society. Two billion people -- or 38% of adults in the world -- do not use formal financial services1, and 73% poor people are unbanked because of costs, travel distances and the often-burdensome requirements involved in opening a financial account. Their ranks include more than half of adults in the poorest 40% of households in developing countries[1]. After world wars, most developed nations focused on financial inclusion through policies of rural credit and financing and implemented subsidized credit schemes for rural population. India too imitated policies of subsidized credit for rural habitants. The objective behind this was to cover "excluded" population and to make them regular participants in financial services for their betterment. Now, countries have recognized that the need for "excluded" segment is far beyond easy access to credit only.

If demand barriers are studied for poor segment of people, namely they are lack of awareness, limited banking literacy, and limited reach or access of banking facilities. Supply side barriers include high transaction cost, lack of collateral in small or micro finance, lacunae in physical and legal infrastructure. Therefore, going beyond ease to credit was the need of era and for getting new shape and direction government of India introduced "Pradhanmantri Jan Dhan Yojna" abbreviated as PMJDY to include poorer or weaker section in Financial Circle of Economy.

2. Meaning of Financial Inclusion

Financial Inclusion means delivery of banking services at an affordable cost ('no frills' accounts,) to the vast sections of disadvantaged and low income group.[2] Dr. C.Rangrajan being part of committee on Financial Inclusion, has defined Financial Inclusion as the process of ensuring access to financial

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services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost.[3]

Financial inclusion or inclusive financing is the delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of society, in contrast to financial exclusion where those services are not available or affordable.

3. Objectives

1. To understand the tool of Financial Inclusion
2. To study financial inclusion in India.
3. To access PMJDY with reference to objectives, achievements and prospects.

4. Literature Review

1. K. Rajnikanta (2014) in his research paper studied financial inclusion as a new drive in India; paper has focused on need of financial inclusion in India as inclusive growth can be possible with financial inclusion. Every household within the grasp of banking system needs to be focused. Paper has tried to overview PMJDY as a part of financial inclusion.[4]
2. K. Divyesh in his research paper has undertaken the study of PMJDY with financial inclusion in India and its history, benefits, key elements of scheme, quantitative analysis of the scheme.
3. SR Bansal, CMD, Corporation Bank has accessed that Earning from PMJDY has crossed more than Rs.2 crores from non-zero balance accounts. Bank has balance of Rs. 550 crores as on June,29 2015. He also claimed that 28% accounts of this scheme are zero balance account as against banking industry average of 57%. Even bank had opened more than 20 lacs account during this period.[5]
4. K. Karmakar, G. Banerjee, N. Mohapatra, (2011) have provided in depth analysis of various tools of financial inclusion like micro credit, micro- insurance, micro savings and emphasized more on creating awareness regarding banking habits, literacy and counseling which are core to achieve financial inclusion in India.[6]

5. Financial Inclusion before PMJDY in India

In India, the term ‘financial inclusion’ was coined for the first time in April 2005 in the Annual Policy Statement presented by Y.Venugopal Reddy, Governor, Reserve Bank of India. Later on, this concept gained ground and came to be widely used in India.[7] Financial inclusion again featured later in 2005 when it was used by K.C. Chakraborthy, the chairman of Indian Bank. Mangalam village, Coimbatore, of Tamilnadu became the first village in India where all households were provided banking facilities

However, as per Census, 2011, out of 24.67 crore households in the country, 14.48 crore (58.7%) households had access to banking services. Of the 16.78 crore rural households, 9.14 crore (54.46%) were availing banking services. Of the 7.89 crore urban households, 5.34 crore (67.68%) households were availing banking services. In the year 2011, Banks covered 74,351 villages, with population more than 2,000 (as per 2001 census), with banking facilities under the “Swabhimaan” campaign through Business Correspondents .However the program had a very limited reach and impact.

The present banking network of the country (as on 31.03.2014) comprises of a bank branch network of 1,15, 082 and an ATM network of 1,60,055. Of these, 43,962 branches (38.2%) and 23,334 ATMs (14.58%) are in rural areas. Moreover, there are more than 1.4 lakh Business Correspondents (BCs) of Public Sector Banks and Regional Rural Banks in the rural areas.[8]

6. Pradhan Mantri Jan Dhan Yojna

Pradhan Mantri Jan Dhan Yojna was launched by the government of India on 15th August, 2014 which is a national mission on financial inclusion. This mission aims at ensuring access to various financial services like availability of basic savings bank account, access to need based credit, remittances facility, insurance and pension to the excluded sections i.e. weaker sections & low income groups. The scheme has been launched on 28th August, 2014 across the nation concurrently. It is in line with the fact that one segment of society has access to mixed bag of banking services and portfolio counseling, other segment of underprivileged and low income group of the country is totally deprived of even basic banking facilities. Other countries like France, Canada, and U.S. have arranged the system of banking in such a way banks are bound to open an account that approaches them. So, India was also in need to do the same for deprived segment of the society.

7. Six elements (Pillars) of Pradhan Mantri Jan Dhan Yojna

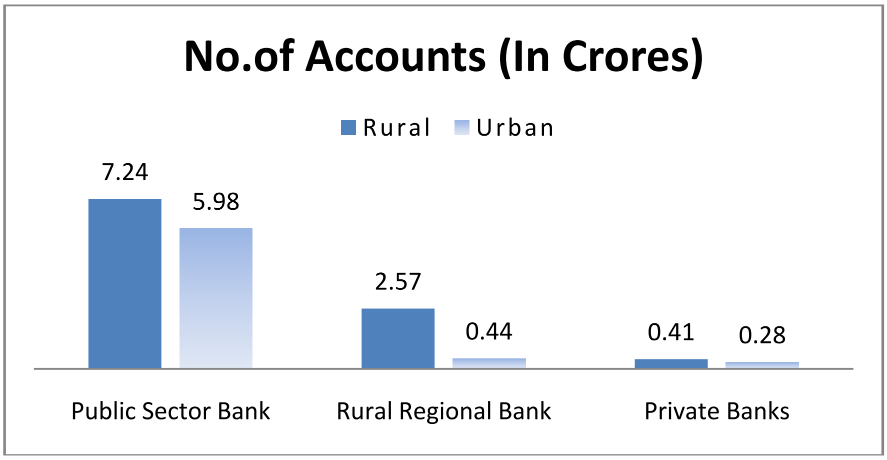
1. **Universal Access to Banking Facilities:** It aims to divide each district into Sub Service Area (SSA), catering to 1000-1500 habitants in a manner that every resident has access to banking facilities within the reasonable distance of 5kms.
2. **Providing Basic Banking Accounts with overdraft facility and RuPay Debit card to all households:** The effort would be to first cover all uncovered households with banking facilities by August, 2015, by opening basic bank accounts. Account holder would be provided a RuPay Debit Card. Facility of an overdraft to every basic banking account holder would be considered after satisfactory operation / credit history of six months.
3. **Financial Literacy Program:** Financial literacy would be an integral part of the Mission in order to let the beneficiaries make best use of the financial services being made available to them.
4. **Creation of Credit Guarantee Fund**: Creation of a Credit Guarantee Fund would be to cover the defaults in overdraft accounts.
5. **Micro Insurance:** To provide micro- insurance to all willing and eligible persons by 14 August, 2018, and then on an ongoing basis.
6. **Unorganized sector Pension schemes like Swavalamban**: By 14 August, 2018 and then on an ongoing basis.

8. Achievements of PMJDY

Different achievements of this scheme are presented through statistics and graphs as under.

1. No. of Accounts opened under PMJDY as on 15th July, 2015 in Crores

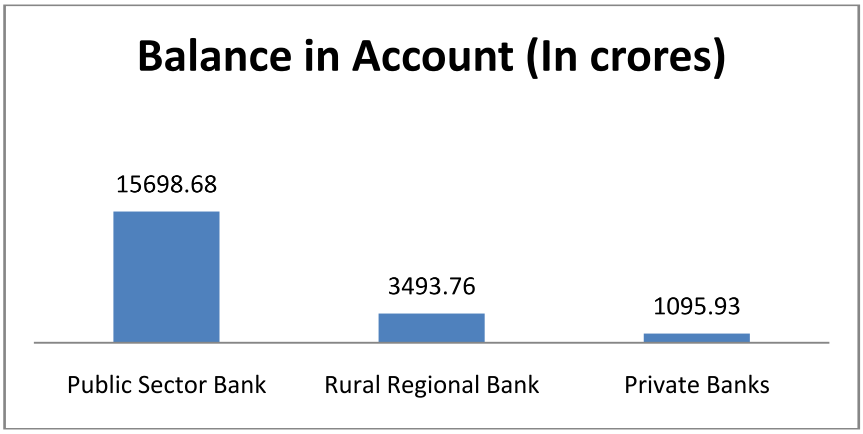
S. No.	Type of Bank	No of Accounts		
		Rural	Urban	Total
1	Public Sector Bank	7.24	5.98	13.22
2	Rural Regional Bank	2.57	0.44	3.02
3	Private Banks	0.41	0.28	0.69
	Total	10.21	6.71	16.92



Statistics show that Public sector banks have contributed more to make the scheme success in both rural and urban areas with 7.24 crores and 5.98 crores account respectively. Regional Rural Banks stand at second with 2.57 and 0.44 crores accounts respectively in Rural and Urban Area, while private banks have contributed nominally with 0.41 and 0.28 crores accounts in Rural and Urban areas. However total number of accounts cross 16 crores mark beyond expectations of government that is really significant.

1. Balance in Account

S. No.	Type of Bank	Balance In Accounts	% of Zero Balance A/C
1	Public Sector Bank	15698.68	50.83
2	Rural Regional Bank	3493.76	50
3	Private Banks	1095.93	47.83
	Total	20288.37	50.59



People started contributing to this scheme after its effective execution that can be considered real participation of people. Again Public Sector Banks stand first with more than 15 thousand crores deposit followed by Rural Regional Bank with amount of 35 thousand crores and private banks with 1 thousand crores deposit. Again this reflects the trend that Public Sector can perform really well with their strong willingness of execution of the scheme.

9. Challenges to meet in implementation of Scheme

1. One challenge government has to face is poor connectivity of telecom in some remote and hilly areas which may hinder opening of bank accounts through Bank Mitr (Business Correspondent). However, government tries to solve it by consulting BSNL authorities.
2. Government needs to monitor regularity of transactions in Bank accounts opened under the scheme. Opened Accounts should be kept live and Direct Benefit Transfer should also be continued with this reference.
3. Government also needs to work over branding and creating awareness regarding facilities like insurance, overdraft to be provided by the government.
4. Sufficient infrastructure needs to be established for effective execution of the scheme and to reach out to beneficiaries.
5. Banking Sector as a whole needs to participate to make Financial Inclusion a success, and to cover “excluded segment” in regular flow of financial system.

10. Conclusion

Financial inclusion is the need of era as India is in the process of development. Economic development always needs support of health and solid financial system in the country, it does not mean support of elite class or corporate of the country. Even People of low income or deprived class should be the beneficiary in the process. PMJDY is such an initiative in this direction by the government of India. Research paper with given certain facts concludes that an initiative to cover “excluded segment” can be successful if government is backed with efforts of private sectors and involvement of people beyond just policy formation of government.

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