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Implications of Pradhan Mantri Jan Dhan Yojna on Financial Inclusion and Inclusive Growth

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Abstract:

Financial inclusion has gained a great importance these days, to provide with basic banking services government of India has taken a giant leap towards financial Inclusion by launching the Pradhan Mantri Jan Dhan Yojana on 28th August 2014, so as to elevate poverty and for the economic growth of the country. This yogna will mitigate the exploitation of vulnerable sections by usurious money lenders by facilitating easy access of to formal credit. The basic objective of this scheme is to insure universal access to banking services with at least one basic Bank Account for every household.

Key words: Pradhan Mantri Jan Dhan Yojna, Financial Inclusion, Inclusive Growth

Introduction

Strong financial institutions are the pillars of economic growth, progress and success of modern economics. Lack of accessible and appropriate financial services has always been a global problem. The significance of an inclusive financial system is widely accepted not only in India, but it also becomes a policy priority in many countries. Financial access can really boost the financial condition and standards of life of the poor. So, RBI has been constantly encouraging the banking sector to develop the banking sector to develop the banking network both through setting up of new branches, installation of ATMs, and implementation of Business Correspondent (BC) model by influence upon the information and communication technology (ICT). Next step in this series added by launching of Pradhan Mantri jan Dhan yogna. New scheme for financial inclusion is launched by P.M. Modi on 28th Aug.2014. We focuses on PMJDY policy, current status and future impact on financial inclusion in India. The two-phase financial inclusion scheme under which bank accounts will be opened for 7.5 crore households and 15 crore poor people with overdraft facility of Rs 5,000 and accident insurance of Rs 1 lakh.

Access to formal financial institutions has improved gradually but most of the rural areas still struggling to have even a single bank branch. Less than 10 percent of all commercial bank credit goes to rural areas, where around 70 percent of the total population lives. In March 2014, only 46,126 out of 640,867 villages in India were covered by banks (RBI, 2014). Thus the need for financial inclusion is beyond question.

Banking and financial services play indispensable role in development of every economy. The emerging trends in financial inclusion have gained growing attention among each and every nation of the world. Policy makers and central Bank of developing countries around the world are focusing a lot towards financial inclusion. Efforts are being made by policy makers to improve access to affordable financial services through financial literacy, technology and generating awareness among the people.

Financial inclusion is process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular, at affordable costs, in a fair and transparent manner, by regulated mainstream intuitional players (Chakrabarty, 2014). Financial

Inclusion is delivery of banking services at an affordable cost to vast sections of disadvantaged and low income groups. Financial Inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost (Rangarajan, 2008).

It has been defined by the Committee of Financial Inclusion, 2008, as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost. It primarily represents access to a bank account backed by deposit insurance, access to affordable credit and the payments system.

Need and Significance of study:

To get successful financial inclusion, banking and financial services should reach vulnerable groups. To study the yojana as a financial inclusion has become more important, when 42% of the population do not have access to formal financial institutions. These people only depend upon the local money lenders, for loans and pay high interest rate and unfair terms. With the help of study we will know how much it contribute to mobilization of saving for effectively utilization, and for social sustainable livelihood. Study is also helpful to know at what rate Pradhan Mantri Jan Dhan Yogna contribute to long run goals of cashless economy, and Digital India Vision. The study also aims to understand and analyze the challenges and opportunities faced by unbanked to get a basic financial service.

Objectives of study:

1. To study the present scenario of financial inclusion of rural and urban households.

2. To study the role of government and banks in Financial Inclusion.
3. To study the major factors affecting the implementation of PMJDY.
4. To know implications of Pradhan Mantri Jan Dhan Yojna.

Need for Financial Inclusion:

Financial inclusion helps in inclusive growth of the country and helps in bringing the people of low income group within the parameter of formal banking sector and it help in creating the culture of savings among large segment of rural population and plays important role in economic development of the country and help in strengthening the economic base of the country. Financial Inclusion help in uplifting the financial conditions and help in improving the standard of living of the poor and disadvantaged people. It helps in increasing financial activities and helps in providing employment opportunities for the people of the country by increasing the level of economic activities and help in greater savings by the rural and poor households and help in saving the poor from the clutches of money lenders and unorganized financial sector. It will help in achieving sustainable and inclusive growth of the country by help in providing monetary fuel for the economic growth. It helps the weaker sections of the society to channelize their income into buying productive resources or assets and promotes financial literacy of rural households.

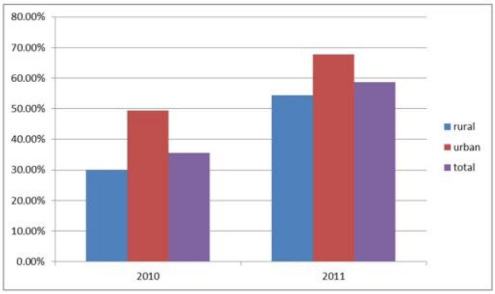
Background of Financial Inclusion:

The concept of Financial Inclusion is not a new concept, the concept was first introduced by Reserve Bank of India in 2005 and Branchless Banking through Banking Agents called Banking agents called Bank Mitr (Business Correspondent) was started in the year 2006. In the year 2011, the Government of India gave a serious push to the program by undertaking the “Swabhimaan” campaign to cover over 74000 villages, with population more than 2,000(as per 2001 census).

The Reserve Bank continued efforts to create a conductive and enabling environment for access to financial services to extend door step banking facilities in all the unbanked villages in a phase-wise manner. During Phase 1, 74,414 unbanked villages with population more than 2,000 were identified and allotted to various banks through SLBCs for coverage through various models, that is , branches , BCs or other modes such as ATMs and satellite branches etc. All these unbanked villages have been covered by opening banking outlets comprising 2, 4393 branches, 69,589 BCs and 2,332 through other models. In Phase II, under the roadmap for provision of banking outlets in unbanked villages with population less than 2,000, about 4,90,000 unbanked villages have been identified and allotted to banks for coverage in a time bound manner by March31, 2006. As per the progress reports received from SLBCs, banks had opened banking outlets in 184,993 unbanked villages by March 2014, comprising 7,761 branches, 163,187 BCs and 13,045 through other modes. The Reserve Bank is closely monitoring the progress made by the banks under the roadmap. (RBI Annual Report, 2013-14).

Status of Financial Inclusion in India:

In India despite of various measures for financial inclusion, poverty and exclusion continue to dominate so socio-economic and political discourse in India even after six decades of post economic independence era. Though economy has shown impressive growth during post liberalization era of 19991, impact is yet to percolate to all sections of the society and therefore, India is still home of 1/3 of world’s poor.



(Source, Department of Financial services)

The census of 2010 shows that only 35.5 percent of household sector access the banking services. 30.1 percent of rural household and 49.5 percent of urban sector households access the banking services. Share of urban sector is more than the total average availability of banking services.

According to the census of year 2011 as shown in above graph availability of banking sector increased to 58.7 percent for total household sector. 54.4 percent of rural sector access the banking facilities and 67.8 percent of urban access banking facilities.

“Rural” areas are defined as those centers which have population of less than 10,000.

According RBI present banking network of the country comprises of a bank branch network of 383, 8042 in villages and 69730 branches in urban areas. While this numbers are 678,674 for village since 2010 and 447 for the urban areas.

1. Basic saving Deposit A/C Branches under Bank Correspondents are 126.00 million and amount is Rs. 273.30 billions.
2. But Basic Saving Banks Deposits A/C under Bank correspondents is 116.90 million with the amount of Rs. 39.00 billion.
3. But studies showed that most new accounts were totally unutilized. Modi is right to emphasize financial inclusion. Only 35.2% of Indian adults have bank accounts today.

Bringing every household within the grasp of the banking system there has been an ongoing process started a decade ago. However, the present Indian government has packaged it in a mission mode and made it an achievable target the scheme popularly known as Jan Dhan Yogna.

The Prime Minister of India on the first Independence Day speech on 15^{th} August 2014, announced the National Mission of Financial Inclusion titled, 'Pradhan Mantri Jan Dhan Yogna' (PMJDY). The PMJDY has been conceived as a national mission on financial inclusion with the objective of covering all households in the country with banking facilities and having a bank account for each house hold. Financial inclusion or inclusive financing is the delivery of financial services at affordable cost to sections of disadvantaged and low-income segments of society.

On the occasion of the launch of the scheme, the Prime Minister said, "If Mahatma Gandhi worked to remove social untouchability, if we want to get rid of poverty, then we have to first get rid of financial untouchability. We have to connect every person with the financial system. And for that this programme has been given impetus. When a bank account is opened, it's a step towards joining economic mainstream."

The Jan Dhan Yojana also seek to provide incentives to business and banking correspondents who serve as link for the last mile between savings account holders and the bank by fixing a minimum monthly reward of Rs 5000.

PHJDY will be implemented in two Phases:

1. Phase I (15 Aug 2014 to 14 Aug 2015) Providing Basic Banking for saving & remittance and RuPay Debit card with inbuilt accident Insurance cover of Rs 1 lakh. Adhaar number will be seeded to make account ready for DBT payment.
2. Phase II (15 Aug 2015, to 14 Aug, 2018) Overdraft facility up to 5000/- after six months of satisfactory performance of saving/ credit history. Micro Insurance

and Unorganized sector Pension schemes like Swavalamban. In addition to this coverage of households in hilly, tribal and difficult areas would be carried out. Moreover, this phase would focus on coverage of remaining adults in the households and students.

Literature Review:

Bihari (2011) analysed financial inclusion Plans in the light of global practices, eleventh five year plan and banks performance as well as no frill account. This study suggested financial literacy and quality improvement in no frill account can achieve financial inclusion plan growth.

Barhate G.H. and Jagtap V.R. (2014) focused on Financial Inclusion in India and tried to find out the implications of Pradhan Mantri Jan Dhan Yogna and tried to understand the threats for success of Pradhan Mantri Jan Dhan Yogna and concluded that in rural area network of ATM is less so people are not well verged with the use of ATM and there is no clarity in this scheme that account holders would get Rs. 1 lakh accidental insurance coverage and it is also not clear about the bill of insurance premium and cost to keep account.

Study conducted by Supravat Bagli (2012) shows that, the level of financial inclusion of the states in India have a low mean and high disparity. This study has revealed a strong positive association between the human development and the financial inclusion of the states in India. The mass financial literacy and awareness among the marginalized sections of people are absolutely necessary to achieve financial inclusion. Side by Side with this, financial institutions will have to be socially responsible as well as approachable to achieve complete financial inclusion.

Keshavamurty (2014) gives his view of PMJDY has been conceived as national mission of financial inclusion with the objective of covering all households in the country with banking facilities and having a bank account of each household. Financial Inclusion of inclusive financing is the delivery of financial services at affordable cost to each house hold at costs to sections of disadvantaged and low-income segments of society, in contrast to financial exclusion where those services are not available or affordable. The major shift this time is in this financial inclusion effort of the Government is that households are being targeted instead of villages as targeted earlier.

Rajanikanta Khuntia, (2014) in this paper considered that even after 68 years of independence, around ten crore households are not connected with the banks in order to reduce the degree of " financial untouchably" the new government has come up with a big bang action plan which is popularly known as " Pradhan Mantri jan- Dhan Yogna". It is a mega financial inclusion plan with the objective of covering all households in the country with banking facilities along poverty effectively, and to empower the last man in the last row in Indian economy. Jubair.T (2014) the objective of the research paper is to critically evaluate the benefits of self service banking machines in India. And the study also aims at comparing the services and costs associated with the use of these machines established in Indian Banks and he concluded that self service banking machines has made a paradigm shift in Indian Banking industry. Number of self service banking kiosks such as ATM, CDM etc has been installed and banks and financial institutions are taking advantage of these machines.

Ramji Minakshi (2009) studied on Financial Inclusion in Gulbargra and studied about the accounts opened in the district during financial inclusion drive and concluded the new accounts to excluded households has been quite small and studied about implementation of NREGP in the district and found that most accounts opened during the financial inclusion drive were opened and used to receive these NREGP payments.

Solomon Olajide Fadun (2014) studied in his research paper about efforts taken at the international level regarding financial inclusion, the current state of financial inclusion in Nigeria and national financial inclusion strategy adopted in Nigeria. He also studied about the geographical difference of financial inclusion in Nigeria. He concluded that increasing attention is given to financial inclusion by countries of the world and all the countries of the world are focusing on inclusive growth and poverty alleviation. The study revealed that 39.4 million adult Nigerians representing 46.3% of the adult population of 84.7 million were financially excluded in 2012 and of this 54.4% of the excluded population were women, 73.8% were aged less than 45 years, 34 % had no formal education, and 80.4% reside in rural areas.

Katia Vikas. (2014) studied in his research paper about financial Inclusion for direct benefit transfer growth and hurdles. He studied about direct benefit transfer model of subsidy disbursement and role of financial inclusion for direct benefit transfer .he studied about the grass root problems faced by the people to avail cards, accounts at zero balance and their linkage with agencies.

Corr Caroline (2006) studied on nature and extent of Financial Inclusion in Ireland and examined the experiences of low income customers in relation to financial service provision in Ireland. It is studied in this research that despite financial exclusion is becoming a key policy issue in many EU member states; this research has shown that the issue was largely ignored in Ireland until recently.

Helen S. Toxopeus and Robert Lansenk (2007) this paper focuses on relation between remittance inflows and financial inclusion in developing countries, the paper indicates the importance of studying the effects of remittances in developing countries. The paper concluded that remittances in terms of size are not only one of the main capital inflows in developing countries often even more substantial than ODA, but also seems to have a robust economic.

Performance of PMJDY:

About 1.5 crore accounts were opened on the day of the launch , over 77,000 camps were organized for this pupose. On August 28, 2014, the day of the scheme's launch, over 1.5 crore bank accounts were opended across India. This is certifiably the largest exercise of this nature on a single day across the world.

Table.2 (Accounts opened as on 31.01.2015)

S.No	.	No. of Accounts (In Lacs)			No of Rupay Debit cards (In lacs)	Balance in Accounts (In lacs)	No. of Accounts with Zero Balance
		Rural	Urban	Total			
	Public Sector Banks	533	451.47	984.48	912.32	817463.04	655.41
	Regional Rural Banks	184.89	32.98	217.87	149.68	159948.08	159.35
	Private Banks	32.26	20.12	52.38	45.93	72551.5	29.97
	Total	750.15	504.57	1254.73	1107.93	1049962.62	844.73

Source: http://www.pmjdy.gov.in/account-statistics-country.aspx

The above table shows that total of 1107.93 lacks accounts have been opened till 31.01.2015 form which maximum amount of contribution is of Public sectors Banks in opening accounts under PMJDY. Under Public sector Banks 533 lacks accounts have in opened in rural areas and 451.47 lacks in urban areas and total of 984.48 accounts have been opened by Public Sector Banks under this yogna.

Regional rural banks bag the second position in opening the accounts under PMJDY. Till 31.01.205 R.R.B have opened 184.89 lacks accounts in rural areas and 32.98 accounts in urban areas and total of 217.87 accounts have been opened by R.R.Bs under PMJDY.

Private sector banks have opened 32.26 lacks accounts in rural areas and 20.12 lacks in urban areas and total of 52.38 accounts have been opened by private sector banks under PMJDY.

Conclusion:

The above study shows that the yojna launched by Pradhan Mantri under the name PMJDY is really mile stone in the history of Financial Inclusion and will help in development of the country and help in inclusive growth of the nation. And Banks all over the country are making efforts to make this scheme successful but still lot of efforts have to be done to make this yogna completely effectiveness, because of financial illiteracy among the people of the country they do not have access to banking services. Most of the people in the country even don't know how to use debit cards. Moreover most of the people of the country are so poor that they even don't have money to operate their accounts or to put money in their accounts because the earning of the people of the country is very less. Creating a new account is not a challenge but increasing transaction is a great challenge.

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