

AN INNOVATIVE APPROACH: MERA KHATA BHAGYA VIDHATA FOR FINANCIAL INCLUSION IN INDIA THROUGH PRADHAN MANTRI JAN DHAN YOJANA

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ABSTRACT

Prime Minister's Jan Dhan Yojana is a National initiative seeking to bring all household under financial radar. On the occasion of 68th Independence Day, Prime Minister Narendra Modi announced an initiative, to be formally launched on 28th August 2014 to enable those currently not having any access to banking and other financial services to do so and thereby expand their option to generate better livelihood and to improve household welfare. This Yojana based on *sabka sath sabka vikas* i.e. inclusive growth. According to the 2011 census, out of the 250 million household in the country, only 145 million or about three-fifth of the total had access to basic banking services. So, about two fifth of the household (105 million) do not have access to banking services. Therefore, initiative PMJDY was the result of an increasing access of beneficiaries to banking services. It was reported that 14.72 crore account with deposit of Rs15670 crore opened till 31th March 2015. This paper endeavor's to study focus on the role of financial inclusion, in strengthening Indian economy. Besides this, it also focuses on its implementation, challenges and opportunities.

KEYWORDS: Banking System, Financial Inclusion, Inclusive Growth, Pradhan Mantri Jan Dhan Yojana

INTRODUCTION

Financial inclusion is a delivery of financial services at an affordable cost to weaker section and low income segments of the society. Financial inclusion has been an important instrument for policy makers and government for a long period of time. Policy makers and financial institution realized that financial inclusion is an essence of sustainable growth and development in a country like India. So, economic development of a country is not possible without financial inclusion because large part of population remains outside the growth process. India's economy is growing day by day still the growth is not at par with economic condition of the people in the rural areas. One of the most important reasons of poverty is financial exclusion. According to 2011 census, 250 million household in a country or about 145 million or about three-fifth of the total had access to basic banking services. So about two –fifth of the household (105 million) do not have access to banking services. After economic reform of 1991, the country makes all efforts to include poor in the growth paradigm. Therefore, Honorable Prime Minister Narendra Modi on 15 August 2014 announced *Pradhan Mantri Jan Dhan Yojana*, a National mission for financial inclusion.

The Pradhan Mantri Jan Dhan Yojana was launched on 28th August 2014. This scheme based on *sabka sath sabka vikas* i.e. inclusive growth. The prime objective of this scheme was 6,000 campuses were conducted and about one crore bank accounts were targeted to open in one day. It aims to provide host of banking facilities to all citizens. In addition, there is a need to spread financial literacy. Access to banking services can provide the weaker sector a much awaited freedom from local and expensive money lenders. They will able to manage their own finances and provide a shield to any financial crisis caused by unpredicted needs.

REVIEW OF LITERATURE

An Analytical Study about relevance of financial inclusion for developing Nations was authored by Sharma and Kukreja (2013). This study focuses on the role of financial inclusion, in strengthening the India's position in relation to other countries economy. For analyzing such facts data for the study has been gathered through secondary sources including report of RBI, NABARD, books on financial inclusion and other articles written by eminent authors. Barhate and Jagtap (2014) focused on the implications of Pradhan Mantri Jan Dhan Yojana. This study includes financial inclusion, mission, strategy of the scheme and the issue related to success of the scheme. Khuntia (2014) through his study on Pradhan Mantri Jan Dhan Yojana, a new drive towards financial inclusion in India analyzed the recent trend in financial inclusion in India with special reference to Pradhan Mantri Jan Dhan Yojana, barrier in this process and suggest strategies to ensure maximum financial inclusion for the unprivileged and unbanked areas. It is found that more than 8.32 crore bank accounts were opened out of which 74.27% accounts were zero balance. It is also found that the various issues and challenges in effective implementation of scheme include several riders for life insurance cover, poor telecom connectivity, lack of infrastructure etc. Kumar and Venkatesha (2014) attempted to discuss the overview of financial inclusion using Pradhan Mantri Jan Dhan Yojana in India through this study financial inclusion using Pradhan Mantri Jan Dhan Yojana. This paper was based on an idea of poverty alleviation programme. Financial Inclusion through Pradhan Mantri Jan Dhan Yojana is an innovative concept rare alternative technique to promote banking habits and reducing poverty.

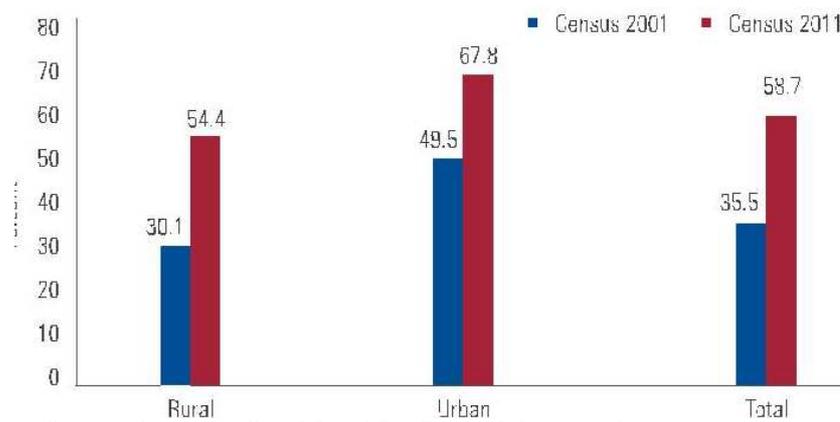
Shukla (2014) aimed to study on financial inclusion in India meaning, progress and its impact on marketing of financial result. This study examine the current scenario of financial inclusion in India and highlights major challenges and bring about suggestions to improve its growth in the days to come along with studying its impact on the marketing of financial product. Goel and Goel (2015) conducted a study on Pradhan Mantri Jan Dhan Yojana (an innovation scheme for financial inclusion in India). This study attempted to give an overview of Pradhan Mantri Jan Dhan Yojana, to analyse this progress till 30th November 2014 and discuss various issues and challenges related to it.

OBJECTIVES OF THE STUDY

This study has been designed to study implications of Pradhan Mantri Jan Dhan Yojana; to analyze the progress of Pradhan Mantri Jan Dhan Yojana; to understand the opportunities and challenges of Pradhan Mantri Jan Dhan Yojana and to provide suggestions to make programme more effective

IMPLEMENTATION AND PROGRESS OF PRADHAN MANTRI JAN DHAN YOJANA

As per the census 2011, more than 40 percent of the Indian population did not have access to banking facilities.



(Source: <http://Pradhan Mantri Jan Dhan Yojana.gov.in>)

Figure 1: Availability of Banking Services

The above figure 1 clearly illustrates that banking services in percentage to rural areas and urban areas, showing increase during 2000 to 2011. However, the increase in financial services is not satisfactory. Since low financial growth impede economic growth. Hence, it was imperative for government to initiate the financial inclusion that would eliminate poverty and social inequality.

The Government of India and the Reserve Bank of India (RBI) have adopted a bank-led model for achieving financial inclusion. While these initiatives have brought more people into the banking ecosystem, banks have not been able to achieve the vision of complete & comprehensive financial inclusion. 'Swabhimaan', another financial inclusion scheme launched in February 2011, focused on providing banking services to unbanked villages. Business Correspondents (BCs) were appointed by banks to act as intermediaries between the banks and the customers.

The Pradhan Mantri Jan Dhan Yojana envisages a shift in approach from Swabhimaan. Pradhan Mantri Jan Dhan Yojana is a scheme for comprehensive financial inclusion launched by Prime Minister Narendra Modi on 28 August 2014. It is being run by Department of Financial Services, Ministry of Finance. On the inauguration day, 1.5 crore (15 million) bank accounts were opened under this scheme. By 31st March 2015, 14.72 crore accounts were opened, with around ₹ 15670 crore were deposited under the scheme, which also has an option for opening new bank accounts with zero balance.

The scheme comprises 6 key pillars.

- Universal Access to Banking Facilities by August 2015 done through the Sub-Service Area (SSA) approach by which each habitation has access to a banking facility within 5 kilometers
- Opening zero balance bank accounts with RuPay debit card, a *one-time* accidental insurance cover of Rs 1 lacs and a facility of an overdraft or loan *after satisfactory operation/credit history* of 6 months and an additional Rs30,000 life insurance for those who opened the account before January 26, 2015
- Financial Literacy Programme for ensuring greater awareness and effective use by the beneficiaries
- Credit Guarantee Fund to cover defaults in overdraft accounts
- Provision for Micro-Insurance for all willing and eligible persons and

- An Un organized Sector Pension Scheme - similar to the Swavalamban scheme

It is shown in the Table-1 that total 1471.63 lacs accounts were opened, with around ₹ 15670 crore were deposited under the scheme by end of March 2015. Among all these banks Public sector banks had opened 1154.44 lacs accounts, followed by Regional Rural Banks with 256.11 accounts, and Private Banks with 61.06 lacs accounts. It can be seen from the table that the performance of PSBs is at the top followed by RRBs and PBs. PSBs are contributing more in PMJDY which is evident from the fact that their number of accounts opened, number of RuPay Debit Card issued and balance in accounts opened are about to 80 percent. However, RRBs and PBs are contributing less which is reflected from the fact that their number of accounts opened, number of RuPay Debit Card issued and balance in accounts opened are near to 15 percent and 5 percent respectively. As the government met the target, on 20th January 2015, the scheme entered into Guinness book of world records setting new record for the most bank accounts opened in one week.

Table 1: Pradhan Mantri Jan - Dhan Yojana Accounts Opened (As on 31.03.2015)

S.N.	Banks	No of Accounts (In Lacs)			No of Rupay Debit Cards (In Lacs)	Balance in Accounts (In Lacs)
		Rural	Urban	Total		
1.	Public Sector Banks	625.35	529.09	1154.44	1081.10	1218505.25
	Percentage contribution of PSBs	71.18	89.10	78.4	82.22	77.75
2.	Regional Rural Banks	217.11	390.08	256.11	178.22	257711.10
	Percentage contribution of RRBs	24.71	65.76	17.4	13.55	16.44
3.	Private Banks	359.87	250.79	61.06	55.49	90813.06
	Percentage contribution of PBs	40.96	42.27	4.1	4.2	5.79
Grand Total		878.44	593.18	1471.63	1314.82	1567029.41

(Source: www.pmjdy.gov.in)

CHALLENGES

There are some challenges which become hindrance in the success of this initiative:

Infrastructure Issues

Lack of physical and digital connectivity in water land and hilly areas pose major hurdles in achieving complete financial inclusion. As per 2011 census, only 46,000 out of the 600,000 villages in India have bank branches and 14 percent of the 1, 60,000 ATMs are in rural branches. About 55 percent of all rural household had access to electricity. As per official Pradhan Mantri Jan Dhan Yojana website, 67 percent of 12.58 crore accounts opened till 2nd 2015 had zero balances. Villagers are reluctant to travel to far located branches for depositing a small amount of money.

Financial Literacy

About 65 Percent of Indian lack financial literacy. There is lack of awareness, knowledge and skills among the rural people to make decisions about saving borrowing, saving, investment and expenditure.

Managing Business Correspondent

It is inadequate and inconsistent customer service by Business correspondent to customer. Absence of proper training, lack of effective grievance redressal system, improper mechanism to monitor the operation of Business Correspondent are various bottlenecks which make Business Correspondent ineffective.

Duplication of Accounts

The lure of getting large insurance cover, accidental death benefits cover and overdraft facility, may prompt the people to open multiple accounts in different banks using different identification documents, PAN card, voter Id as there is no single centralized information sharing system to detect duplication of accounts.

Keep the Account Alive

One of the biggest challenges in the front of banks was limited number of transactions in the newly opened accounts. The current statistics also show that increasing transactions per account is a major challenge. As per the official Pradhan Mantri Jan Dhan Yojana website, 67 per cent of the 12.58 crore accounts opened until 2 February 2015 had zero balance because villagers are reluctant to travel to far located branches for depositing a small amount of money

STRATEGIES

The success of Pradhan Mantri Jan Dhan Yojana Pradhan Mantri Jan Dhan Yojana will largely depend on reaching poorest of the poor in the country. As it is not feasible due to lack of infrastructure by opening the physical branches especially in rural areas. Therefore, banks are increasing the use of branchless banking by providing financial service through Business Correspondent (BC).

Pradhan Mantri Jan Dhan Yojana should integrate with Aadhaar to ensure unique identification. Aadhaar card is crucial for the success of Pradhan Mantri Jan Dhan Yojana as it eliminate the risk of fraud. Cost effective technology plays a pivotal role in the success of implantation of Pradhan Mantri Jan Dhan Yojana by transforming financial ecosystem in India.

The overdraft facility after six month of opening account will help the poor people free from the clutches of the local money lender. The provision of the overdraft facility will largely depend on the Bank's satisfaction to extend the same. There should be a guidance and mandatory policy by the RBI to the Banks for extending overdraft facility to the customers.

A large and ambitious programmes like the Pradhan Mantri Jan Dhan Yojana requires high level of monitoring to measure progress of Yojana. Security of customer data and protection of account holder money is critical for ongoing adoption and use of banking accounts and financial products. Banks should provide knowledge and comfort to the accountholders with regards their data and money through Business Correspondent.

CONCLUSIONS

Government of India and financial institutions have made painstaking attempts to bring large sections of the rural population with banking system having realized that financial inclusive is an essence of sustainable economic growth and development in a country like India but lack of relevant technology, illiteracy, improper implementation of financial services are some obstacles in the financial inclusion in India. To overcome this problem Pradhan Mantri Jan Dhan Yojanawas launched. Pradhan Mantri Jan Dhan Yojana is an ambitious initiative for penetration of banking services and micro finance facilities to the poor and weaker section of the society. Pradhan Mantri Jan Dhan Yojana hold greater promise than its predecessors because it is more geographically widespread, provide greater benefits embrace technology and ensure greater support from ethical stakeholders. Pradhan Mantri Jan Dhan Yojana can only succeed if government within help of state government and local self help group addresses the problem in a comprehensive collaboration and

consistent manner. A brave step is indeed required to fight poverty and Pradhan Mantri Jan Dhan Yojana is absolutely good fighting mechanism to check the poverty.

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