

A STUDY ON FINANCIAL INCLUSION WITH SPECIAL REFERENCE TO PRADHAN MANTRI JAN- DHAN YOJANA (PMJDY)

Mahammad Sadhik¹, Avvamath Safeena², Jameela³

*^{1,2,3,4}department Of Pg Studies In Commerce, Sacred Heart College, Madanthyar, Belthangady Taluk
D.K, Karnataka, (India)*

ABSTRACT

For developing nations the era is of inclusive growth and the key for inclusive growth is financial inclusion. Financial inclusion or inclusive financing is the delivery of financial services, at affordable costs, to sections of disadvantaged and low income segments of society. Since Independence, Government and the RBI have launched many initiatives for financial inclusion, but the objective of financial inclusion has never been achieved in entirety.

To promote the economic growth, Prime Minister Narendra Modi announced a new scheme in his Independence Day speech on 15th Aug 2014, and called it as the National Mission on Financial Inclusion (NRFI) for weaker section and low income groups. While launching the Pradhan Mantri Jan Dhan Yojana on 28th Aug 2014, the scheme managed to open a record 1.5 crores new bank accounts on the inaugural day itself. This effort will certainly go a long way in promoting economic growth and reducing poverty, while mitigating systematic risk and maintaining financial stability.

The present paper endeavors to study the recent trends in financial inclusion in India with special reference to Pradhan Mantri Jan Dhan Yojana (PMJDY), highlighting its key areas and suggests strategies to ensure maximum financial inclusion for the underprivileged and unbanked areas. This paper focuses on the role of financial inclusion in strengthening the Indian economy. For analyzing such facts secondary sources of data has been collected. It is not very much correct time to evaluate the PMJDY scheme which is only in its infant stage. But an attempt has been made in this paper to analyze the performance so far, benefits, difficulties and future prospects of the scheme.

Keywords: Financial Inclusion, Indian Economy, PMJDY, Economic Growth, Financial Stability.

I. INTRODUCTION

Inclusive growth is possible only through proper mechanism which channelizes all the resources from top to bottom. Financial inclusion is an innovative concept which makes alternative techniques to promote the banking habits of the rural people because. India is considered as largest rural people consist in the world. It's been surprising fact that India ranks second in the world in terms of financially excluded households after china. Since Independence, Government and the RBI have launched many initiatives for financial inclusion- Bank Nationalization, Regional Rural banks, Cooperative Banks, Banking Correspondence Agents (BCAs),

Swabhiman, Swavlamban, Microfinance, No-frills account, 25% rural branch rule, Bharatiya Mahila Bank and so on. But the objective of financial inclusion has never been achieved in entirety

India has provided a much-needed push for financial inclusion in the country. However, there remain some key gaps and concerns that must be addressed for attaining sustained comprehensive financial inclusion. The Indian Government and The Reserve Bank of India aimed at providing banking and financial services to all people in a fair, transparent and equitable manner at affordable cost. Households with low income often lack access to bank account and have to spend time and money for multiple visits to avail the banking services, be it opening a savings bank account or availing a loan, these families find it more difficult to save and to plan financially for the future.

II. FINANCIAL INCLUSION - A TOOL FOR ECONOMIC GROWTH

"Financial inclusion is delivery of banking services at an affordable cost ('no frills' accounts,) to the vast sections of disadvantaged and low income group. Unrestrained access to public goods and services is the sine qua non of an open and efficient society. As banking services are in the nature of public good, it is essential that availability of banking and payment services to the entire population without discrimination is the prime objective of the public policy."

This concept broadens the resource base of the financial system by developing a culture of savings among large segment of rural population and plays its own role in the process of economic development. Further, by bringing low income groups within the perimeter of formal banking sector; financial inclusion protects their financial wealth and other resources in exigent circumstances.

III. PRADHAN MANTRI JAN DHAN YOJANA (PMJDY)

Pradhan Mantri Jan Dhan Yojana is a National Mission for Financial Inclusion which is run by Department of Financial Services, Ministry of Finance, to ensure access to financial services, namely Banking Savings & Deposit Accounts, Remittance, Credit, Insurance, and Pension in an affordable manner. This inclusion campaign was launched by the Prime Minister of India Mr. Narendra Modi, on 28 August 2014. He had announced this scheme on his first Independence Day speech on 15 August 2014.

This scheme is on the inauguration day, 1.5 Crore bank accounts were opened under this scheme. Guinness World Records Recognizes the Achievements made under PMJDY, Guinness World Records Certificate says "The most bank accounts opened in 1 week as a part of financial inclusion campaign is 18,096,130 and was achieved by Banks in India from 23 to 29 August 2014". By 05 August 2015, 17.45 crore accounts were opened, with around ₹22032.68 crore were deposited under the scheme.

IV. KEY POLICY INSIGHTS

- To promote financial savings of poor households through innovative product design that matches their specific needs.
- Providing formal credit avenues.
- Empowering the poor and the small by offering them choice and opportunity

- To provide universal access to banking facilities.

V. IMPLEMENTATION OF THE SCHEME

The implementation of the PMJDY is to be carried out in two phases. The first phase is likely to last till August 2015, while the second phase till 2018. In the second phase, the government will also make pension schemes available to these account holders.

5.1 Phase One (From 15 Aug 2014 -14 Aug 2015)

1. Universal access to banking facilities.
2. Providing Basic Banking Accounts with overdraft facility of up to Rs. 5000/-.
3. RuPay Debit Card with inbuilt accident insurance cover of Rs. 1 lakh.
4. Financial Literacy Programme.

5.2 Phase Two (From 15 Aug 2015 -14 Aug 2018)

1. Creation of Credit Guarantee Fund for coverage of defaults in overdraft accounts.
2. Micro Insurance
3. Unorganised sector Pension schemes, like Swavlamban.
4. Coverage of households in hilly, tribal and difficult areas, and coverage of remaining adults in the households and students
5. Perhaps, financial inclusion through PMJDY will commence the next revolution of growth and prosperity.

VI. BENEFITS UNDER PMJDY SCHEME

- Interest on deposit.
- Accounts are being opened with Zero balance.
- Life insurance cover of Rs.30,000/-
- Beneficiaries of Government Schemes will get Direct Benefit Transfer in these accounts.
- Access to Pension, insurance products (Accidental insurance cover of Rs.1.00 lakh)
- Accidental Insurance Cover, RuPay Debit Card (must be used at least once in 45 days.
- Overdraft facility up to Rs.5000/- is available in only one account per household, preferably lady of the household.

VII. OBJECTIVES OF THE STUDY

- To explore the need and significance of financial inclusion for economic and social development of society.
- To analyze the current status of financial inclusion in Indian economy.
- To analyze the growth and performance of the Pradhan Mantri Jan Dhan Yojana scheme.

VIII. SCOPE OF THE STUDY

In this study the researcher has evaluated growth and performance level of Pradhan Mantri Jan Dhan Yojana in accelerating growth, fighting poverty by ensuring the financial stability and contributing towards the development of Indian economy. The findings of the study and conclusion drawn are based on the analysis of the information collected by researcher through secondary data.

IX. METHODOLOGY

9.1 Data Sources

Secondary Data: The present study is based on certain facts and data, which are collected through Govt. web sources, RBI reports, Banks websites, Journals, News papers, Textbooks and the Internet

X. LIMITATIONS

- Only Secondary data are used in our study.
- As the PMJDY scheme is only in its infant stage, the effectiveness of the scheme cannot be evaluated perfectly.

XI. DATA ANALYSIS AND INTERPRETATION

Table No 1: Accounts opened under Pradhan Mantri Jan Dhan Yojana scheme as on 31.12.2014
(All Figures in Crores)

Sl.No.	Banks	No Of Accounts			No Of Rupay Debit Cards	Balance In Accounts	% of Zero Balance Accounts
		Rural	Urban	Total			
1	Public Sector Banks	3.57	3.007	6.58	4.74	5149.7	4.9
2	Regional Rural Banks	1.18	0.21	1.4	0.2	902.26	1.07
3	Private Banks	0.1	0.11	0.022	0.12	361.77	0.146
Total		4.85	3.327	8.002	5.06	6413.73	6.116

(Source: www.pmjdy.gov.in)

The above table discloses the information about the new accounts opened under the PMJDY scheme targeting 7.5 crore new accounts as on 31.12.2014. The collected information is based upon the data as submitted by different banks/SLBCs till 31December 2014.

**Table No 2: Accounts opened under Pradhan Mantri Jan Dhan Yojana scheme as on 02.09.2015
(All Figures in Crores)**

Sl.No	Banks	No Of Accounts			No Of Rupay Debit Cards	Balance In Accounts	% of Zero Balance Accounts
		Rural	Urban	Total			
1	Public Sector Bank	7.76	6.35	14.1	12.83	18207.1	43.55
2	Rural Regional Bank	2.76	0.47	3.23	2.37	3939.03	45.51
3	Private Banks	0.42	0.28	0.71	0.62	1108.88	43.66
Total		10.94	7.1	18.04	15.82	23255	43.96

(Source: www.pmjdy.gov.in)

The above table gives the information about the new accounts opened under the PMJDY scheme crossing the target of 7.5 crore new accounts as on 02.09.2015. The collected information is based upon the data as submitted by different banks/SLBCs till 02 September 2015.

XII. FINDINGS, SUGGESTIONS AND CONCLUSION

12.1 Findings

- During September 2015 the Scheme has crossed the target of 7.5 crores of opening new bank accounts. This indicates the better performance of the PMJDY Scheme
- In rural areas, the number of new bank accounts increased from 4.85 crore to 10.94 crores during September 2015. As compared with rural areas, number of new bank accounts in urban areas is also shown an hike from 3.32 crores to 7.1 crores in September 2015. The total of 18.04 new accounts has been opened till September 2015.
- Public sector banks were playing a major role in the PMJDY Scheme as most number of bank accounts opened and deposits are made in public sector banks.
- The total deposits increased from 6413.73 crores in 02.09.2015 to 23255 crores in September 2015. This indicates the awareness about the scheme among the people and increase
- More number of Zero balance accounts are opened under this scheme and the total percentage of 6.11% is raised up to 43.96% in September 2015

12.2 Suggestions

- New branches of Banks should be opened in unbanked rural areas.
- Awareness must be created among the people about the usage and benefits of the Pradhan mantri Jan Dhan Yojana Scheme
- Private Banks should provide the financial services and deliver financial solutions to the rural people.

- The documentation procedures should be simplified to open any kind of Bank account, and poor people should be encouraged to open their bank accounts.

XIII. CONCLUSION

Financial inclusion broadens the resource base of the financial system by developing a culture of savings among large segment of rural population and plays its own role in the process of economic development. The Pradhan Mantri Jan Dhan Yojana moves forward with the mantra of Sab Ka Saath Sab Ka Vikas by bringing low income groups within the perimeter of formal banking sector and protects their financial wealth and other resources. This scheme also mitigates the exploitation of vulnerable sections by the money lenders by providing financial services and solutions.. As a quote says that “Every cloud has a silver lining” the silver line can be seen in the form of PMJDY in the Indian Economy.

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