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AN ANALYSIS OF FINANCIAL INCLUSION IN INDIA THROUGH "PRADHAN MANTRI JAN-DHAN YOJANA"

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ABSTRACT

In recent decades, economic and social inequalities have increased alongside high growth rates which have increased regional inequalities. As a result, Inclusive growth has become a national policy objective of the Union Government. In this regard government of India is taking various efforts to lower the percentage of unbanked people especially in rural areas in the present time. Financial inclusion is one of the most important tools for the economic development of the India. The study mainly highlights the current status and analyses financial inclusion in India through Pradhan Mantri Jan- Dhan Yojana. This study attempts to focus on several externalities which can be exploited to the mutual advantage of the banking system and society at large. In this study it is found that large number of accounts were opened in rural areas through "PMJDY" and the balance in accounts were also increased to 24362.95 crore. Percentage of zero balance accounts seems to be decreased as compare to bank balance in accounts. This study concludes that "PMJDY" was beneficial to the unbanked people as well as for the economic development of the country.

Key words: Economic development, Banking facilities, Financial Inclusion, PMJDY.

Introduction

The term financial inclusion was first coined in 1993 by geographers who were concerned about bank branch closures and the resulting limited physical access to banking services. In

1998 the term was first used in a wider sense to describe people who have limited access to mainstream financial services. Financial inclusion is one of the tools which are employed for the development of the country. According to Raghuram Rajan, Governor of the Reserve Bank of India (RBI), 'Financial inclusion is about (a) the broadening of financial services to those people who do not have access to financial services sector; (b) the deepening of financial services for people who have minimal financial services; and (c) greater financial literacy and consumer protection so that those who are offered the products can make appropriate choices."

As per the Planning Commission of India "The term "inclusive" should be seen as a process of including the excluded as agents whose participation is essential in the very design of the development process and not simply as welfare targets of development programmes." 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. Financial inclusion is aimed at providing banking and financial services to all people in a fair, transparent and equitable manner at affordable cost. The Reserve Bank of India setup khan committee, Rangarajan committee, 2nd ARC (Administrative reforms commission) on financial inclusion, Nachiket Mor committee and Deepak Mohanty committee to work out a five year (medium –term) action plan for Financial inclusion.

The committee on financial inclusion, of government of India, has defined financial inclusion as the process of ensuring timely access to financial services and adequate credit where needed by vulnerable groups such as the weaker sections and low income groups at an affordable cost (Rangarajan Committee, 2008).The financial services include the entire gamut - savings, loans, insurance, credit, payments etc. The financial system has to provide its function of transferring resources from surplus to deficit units but both deficit and surplus units are those with low incomes, poor background etc. The role of financial institutions in a developing country is vital in promoting financial inclusion. The efforts of the government to promote financial inclusion and deepening can be further enhanced by the pro-activeness on the part of capital market players including financial institutions. Financial institutions have a very crucial and a wider role to play in fostering financial inclusion. The banking sector has also taken a lead role in promoting financial inclusion. In India, the Reserve Bank of India (RBI) has initiated several measures to achieve greater financial inclusion, such as facilitating 'no-frills' accounts and "General Credit Cards" for low deposit and credit.

Significance Of the study

The study of financial inclusion is highly important for the society because consequences of financial exclusion may be quite harmful. Financial exclusion may generate lower investment resulting from difficulties in getting access to credit or gaining credit from informal sector at very high interest rates. Particularly, without broad and easy access consequences may be grave for the small business sector and poor sections of the society. Since well-being of a population depends on many attributes such as income, health, housing etc., access to financial services can as well be regarded as a basic ingredient of human well-being. It is therefore necessary to design appropriate policy for financial inclusion.

Literature review:

In most developing countries, a large segment of society, particularly low-income people, has very little access to financial services, both formal and semi-formal. As a consequence, many of them have to necessarily depend either on their own or informal sources of finance and generally at an unreasonably high cost.

Srikanth R. (2013) put significant attempt to understand and emphasize the importance of financial inclusion. In his research paper titled “A Study on - Financial Inclusion - Role of Indian Banks in Reaching Out to the Unbanked and Backward Areas”, he suggested that financial inclusion must be continued as a policy priority for India in order to bring in the vast unbanked rural people into the process of speedier economic development. It is inevitable on the part of the regulators to find out an easy way of procuring the documents for opening of bank accounts and availing loans.

The issue of financial inclusion is a development policy priority in many countries. Sarma, Mandira, and Jesim Pais (2008) in their research paper titled “Financial Inclusion and Development: A Cross Country Analysis” presented a cross country empirical analysis of the relationship between financial inclusion and development by using an index of financial inclusion (Sarma, 2008) and found that level of human development and that of financial inclusion are strongly positively correlated, although few exceptions exist.

Inclusive growth if targeted systematically may lead to financial stability, asset building and economic mobility and empowerment of the low income group people. Dixit, Radhika, and Munmun Ghosh (2013) studied financial inclusion as an instrument to attain inclusive growth. In their research paper titled "Financial Inclusion for Inclusive Growth of India-A Study of Indian States." Dixit, Radhika, and Munmun Ghosh stated that coordination of all the stakeholders like sectoral regulators, banks, governments, civil societies, NGOs, etc. are significant to achieve the objective of financial inclusion.

Promotion of financial inclusion has been an important social and financial need across countries. In India, the primary responsibility of ensuring financial inclusion lies with the commercial banks subject to guidelines of the central bank (RBI). Mukherjee, Arup, and Sabyasachi Chakraborty (2012) in their research paper titled "Financial Inclusion of the Poor and Marginalised in Jharkhand: Analysis of the Existing Model" suggested that every bank, be it in the public sector or private sector, reports to the RBI on its achievement on financial inclusion more frequently as a statutory requirement. They also suggested that the state government may through its budget; create a fund for opening savings accounts for school going children in order to develop the habit of banking activities.

Objectives of the study:

The objectives of this study are:

i) To study the concept of financial inclusion

ii) To analyze financial inclusion through “Pradhan Mantri Jan-Dhan Yojana".

iii) To analyze the basic saving deposit accounts which were promoted by RBI to adopt planned and structured approach to financial Inclusion.

Research Methodology:

This research study is based on the secondary data collected from various sources of published documents such as annual reports of RBI, Department of financial services, Progress report of “PMJDY” and other published reports of Governments. This research study is micro in nature.

Limitations of the study:

This research study is based on certain limitations which are as follows

- This study is based on the secondary data collected from various published documents and reports.
- Non –availability of sufficient data and literature.
- It has cover only limited time period.

Data Analysis: ***Analysis of financial inclusion through Pradhan Mantri Jan-Dhan Yojana***

"Pradhan Mantri Jan- Dhan Yojana" is such an innovative mission on financial inclusion which connects unbanked society with financial services. This programme was announced by on the Independence Day on 15.August.2014 and launched by our prime minister on 28 August 2014. This mission mainly highlights on certain benefits which has been fruitful to the society such as this scheme covered accidental insurance upto Rs. 1 lakh, coverage of life insurance is Rs. Rs 30000, no interest is to be charged on deposit, easy transfer of money across India, it access to pension & insurance products, accidental insurance cover, RuPay debit card, overdraft facility etc. The benefits of government schemes directly transfers in this account and overdraft facility up to Rs.5000 is provided in only one account per household, but preferably lady of the household.

In order to expand the financial inclusion facilities steps to be followed by RBI and government of India to expand large number of branches and ATM facilities both in urban and rural areas. RBI not only focuses to expand number of branches network but also introduce priority sector lending facilities to some specific sectors like agriculture and allied activities, micro and small enterprises, students for education and poor people for housing and other weaker sections of the society. In 2005-06, RBI suggests banks to unite such policies with the objectives of financial inclusion. In this regard banks started "No frills" account either with nil amounts or very minimum balances to access large number of people with financial services and to cover large area of the rural and weaker sections of the society. In 2006 banking sector decided in public interest to allow the branches to use the services of NGO's/SHGs, MFIs and civil society organization as mediator in providing financial services through the use of business facilitator and business correspondent model.

The main objective of this program that the beneficiary needs to have at least one bank account and opening new branches in rural and unbanked areas. In the past year, RBI already had taken various necessary steps to financial inclusion.

- This plan focuses on households rather than geographical areas.
- Smart cards (Ru-pay card) will be issued to the customers to operate their accounts even without Business correspondents.
- In the second phase there is a proposal to provide the facilities of pension scheme for benefited individual in the unorganized sector and offer micro finance product through government owned insurance companies.

Analysis of "Pradhan Mantri Jan-Dhan Yojana"

Pradhan Mantri Jan Dhan Yojana is such a mission which connects weaker section of the society with the financial services. Large numbers of accounts were opened by the vulnerable society in public sector bank, regional rural bank and in private banks. Under this Yojana Poor and weaker section can easily access the facility of financial services. Basically this yojana is designed to make unbanked people to make aware about the banking services in the current scenario.

Table No.1

Statement of Name of Banks and their number of accounts opened in rural and urban areas with bank balance.

(All Figures in Crores)

S.NO.	Name of the Banks	Rural	Urban	Total	No Of Rupay Debit Cards	Balance In Accounts (In Rupees Crores)	% of Zero Balance Accounts
		No. of Accounts	No. of Accounts	No. of Accounts			
1	Public Sector Bank	7.96	6.49	14.45	13	19129.12	41.18
2	Regional Rural Bank	2.83	0.48	3.31	2.39	4132.97	41.99
3	Private Banks	0.43	0.29	0.71	0.63	1100.86	42.25
	Total	11.21	7.26	18.47	16.02	24362.95	41.31

(Accounts Opened as on 23.09.2015)

Source: Progress report of "Pradhan Mantri Jan-Dhan Yojana"

Interpretation:

This table indicates the progress report of accounts opened through Pradhan Mantri Jan-Dhan Yojana. Through this scheme 11.21 crore accounts were opened in rural areas but in urban area less saving accounts has been opened which is 7.26 crore. The balance in accounts were also increased by 24362.95 crore and the percentage of zero balance accounts decreased. As a result this table shows large number of accounts opened in rural areas through "PMJDY".

Progress of all banks including RRB's during the five years

Financial Inclusion is not a new concept. It has been previously seen among the banking industries. Reserve Bank of India already have instructed their sub-banks even private sector bank in rural and urban area to operate bank accounts also given advice for benefits to open bank accounts. It is also the part of Financial Inclusion. In this research paper we have covered all banks including Regional rural banks of their branches in rural and urban areas, number of accounts operated by people, amount deposits in the banks, savings, and O.D facility given to customers and also given the facility of KCC. Number of persons avail the facility of KCC. All these information is covered in table no. 2.

Although the Government of India is not much aware to operate bank accounts essential for every person but bank has been focus to operate bank accounts so that banking industry may be progressive but the demand of the global market and benefits of banks has been describe by the government .Now a day our honorable prime minister has focus on Financial Inclusion. So that Micro-finance can be easily implemented in rural areas.

Table No.2

Statement of Bank Branches in rural and urban areas with their deposits and OD facilities.

Year ended	**Banking outlets in villages**				**Basic saving Bank Deposit account Branches**		**Basic saving Bank Deposit account Branches-BCs**		**OD facility availed in BSBDA'S**		**KCCs (NO. in million)**
	Branches	Villages covered by BCs	**Total**	Urban location through BCs	No. in Millions	Amount in billions	No. in Millions	Amount in billion	No. in Millions	Amount in billions	No. in Millions
2010	33,378	34,316	**67,694**	447	60.19	44.33	13.27	10.69	0.18	0.1	**24.31**
2011	34,811	80,802	**115613**	3,771	73.13	57.89	31.63	18.23	0.16	0.26	**27.11**
2012	37,471	1,41,136	**178607**	5891	81.2	109.87	57.3	10.54	2.71	1.08	**30.24**
2013	40,837	221,341	**262,178**	27,143	100.8	164.69	81.27	18.22	3.92	1.55	**33.79**
2014	46,126	3,37,678	**383804**	60730	126	273.3	116.9	39	5.9	16	**39.9**
2015	49,571	504,142	**553713**	96,847	210	365	188	75	8	20	**43**

Source: Annual Report of RBI

Interpretation

Table no. 2 indicates the progress of all banks including regional rural banks during the last six years. In 2010 the number of branches was 33378, but with the passage of time it increased to 49,571. Reserve bank of India also covered the number of villages by business correspondent's model which were 34316 in 2010 and increased year by year and it reaches to 504,412 in 2015. Basic saving bank deposit account branches were also increased from 44.33 billion in 2010 to 365 billion in 2011-2015. On the other hand basic saving bank deposit account branches with business correspondent model also played an important role. In 2010 the number of accounts opened through business correspondent model was 13.27 million and it reaches to 188 million in 2015. People also availed the overdraft facility and it also seems to be increasing year by year under the financial inclusion plan.

Number of Activities undertaken by Rural Banks

Regional rural Bank is also contributing largely in the economic development of the country by enhances the banking facility in rural areas. Regional rural bank organized various camps and the people actively participated to attend such type of camps which spread the awareness about the benefits of saving accounts in banks.

Table no.3

Statement of rural branches and their Participants

Particulars	**2014-15**
No. of Rural branches	52,934
No. of Rural branches conducted camps	32,509
No. of camps conducted	306,188
Total no. of participants	14,826,647
No. of participants opened accounts after attending the camp	5657092
No. of participants already having accounts while attending camps	6686518

Source: Annual report of RBI ***Provisional***

Interpretation:

The table no.3 indicates the activities undertaken by rural banks. In 2014-15, 32,509 rural branches conducted various camps to spread awareness of saving accounts. 5657092 new bank accounts were opened after attending this awareness.

As per the directories given by government of India to the banks that they will open bank account of the people from the society with their zero bank balance and also it is covered the bank balance with their deposits with the banks.

Table no.4

Statement of percentage of Bank Accounts with the Banks Balance under the Financial Inclusion

Year	2014	2015
Deposits	39 Crore	75 Crore
Zero balance Bank Account	74%	42.09%
Bank Balance	26%	57.91%

Source: Annual report of RBI

Interpretation

Table no. 4 indicates the percentage of Bank accounts of bank balances under the financial inclusion. In 2014 there were only 39 crore deposits seen and which was increased by 36 crore. In 2014 the zero balance bank account was 74% and the bank balance was 26% but in 2015 zero bank balance account was decreased to 42.09% and the bank balance has increased to 57.91%.

Findings

After analysis of this research paper we reached some understanding which is as follows:

In financial inclusion the government of India has define the financial inclusion as the process of ensuring timely to access financial services and adequate credit when needed by vulnerable group such as weaker section and low income groups at affordable cost. In this regard a government of India launched PMJDY in the year 2014 with the certain objectives. The main objective of this yojana is to provide financial services to vulnerable group and weaker section of the society by the opening of bank accounts. PMDJY basically motivates people of the weaker section of the society to utilize financial services provided by any bank, by opening of banks accounts without any amount charges. Various charges related to opening of an account are also beard by the central government. In this yojana different banks have opened more than 17.5 crore accounts and 22000 crore deposits has been received from the vulnerable section of the society. Under this scheme the Adhar card is also linked up with the bank account. Any type of subsidy or any type of insurance claim can be deposit directly to the bank account of the customer. The Adhar card has been seeded in 41.82% of account of opened under PMJDY.

This yojana is design to ensure universal banking access. More than 126 lakh Bank Mitras have been deployed with online services capable of e-KYC based accounts opening and interoperable payment facilities. It is found that the zero balance account and PMJDY has been declined 76% to 45.74% from September 2014 to 19^{th} August 2015, it means people don't keep zero balance in their account but using it to keep their money. The amount which is deposit with the bank can be invested for a better return or profits because this scheme promotes poor section of people for savings. The large number of people deposits their savings in banks so Indian economy has huge amount of deposits to invest in constructive, progressive work.

This scheme provides benefit to the poor section of the society with life insurance cover of Rs. 50000, overdraft facility up to 5000, accidental insurance cover upto 1 lakh and pension scheme on one account per household. Thus we can conclude that financial inclusion through PMJDY is promoting development in Indian economy.

Suggestions:

- The government of India should effectively promote to PMJDY among the vulnerable group and weaker section of the society because number of people is still not having bank account.
- Government should encourage weaker and poor section of the society for savings through various schemes, which leads to financial Inclusion.
- Central Government should suggest to Reserve Bank of India for implement of high rate of interest on deposits of the poor people, weaker section and vulnerable group of the society, resulted these groups will attract towards their savings.
- Government should conduct awareness program about the benefits of "PMJDY" to make people more aware about the benefits of "PMJDY" in rural areas as well as in urban areas.
- The amount which has been deposited in banks through "PMJDY" should be invested in better avenues so that the above such groups will get better return on their deposits.

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Abbreviations

OD- Overdraft

KCC’s- Kishan Credit Card

RRB’s- Regional Rural Banks

BSBDA's— Basic Savings Bank Deposit Accounts

PMJDY----- Pradhan Mantri Jan-Dhan Yojana.