

## JAN DHAN YOJANA IS A WAY FOR FINANCIAL INCLUSION IN RURAL INDIA

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### **Abstract:**

*After a long period of Indian Independence, a large section of Indian population (particularly poor section and in rural areas) still remain unbanked. To cover the all population under the financial inclusion is the government objective. Financial inclusion mainly supply credit to all even they are poor, which further boost up saving habits among the common people and finally reduce leak in subsidy and welfare distribution. The present paper critically examines the impact of financial inclusion of the programme of Pradhan Mantri Jan Dhan Yojana (PMJDY) to boost up the savings of the rural poor.*

**Key words:** financial inclusion, inclusive growth

### **Introduction:**

Inclusive growth has been the main objective of 11th Plan. Inclusive growth means including all sections of the population in the growth process. Financial inclusion is a way to achieve Inclusive growth. Rangarajan Committee was appointed by the Government of India in 2006 to recommend a strategy to achieve higher financial inclusion in the country. The committee defines financial inclusion as follows; “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.”

According to 2011 Census, India’s population increases 181 million people from 1.03 billion in 2001 to 1.21 billion in 2011(Visaria L. 2011). The decadal growth rate of population is 17.6% compared to 21.2% during 1991-2001 suggesting a slowdown of growth. The sex ratio of population has began to improve from 927 in 1991to 933 in 2001to 940 in 2011. The overall literacy rate is in 2001 is 745 with 82.1% male and 65.55 female literacy rate. The child sex ratio has fallen from 945 in 2001 to 927 in 2001 to 914in 2011. At the end of October 2011, the world population crossed over 700 crores, China 135 crores and India 124 crores. Though India possesses only 2.4% of world geographical area it covers 17.71 % of total world population. It is expected that India will become the most populous country in the world by 2030 overtaking China. India’s population size is expected to stabilize at 1.8 billion at 2041.The state

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Uttar Pradesh is the most populous state in India with 199.6 million people covering 16.5% of country's population.

While the government has taken various steps for Financial Inclusion a huge task is lagging behind. Of the 24.67 crores of households in the country 10.19 crores do not have access to banking services. In rural areas, 44% households and in urban areas 33% still do not have a bank account. For this a Smart Card (Ru Pay Card) will be issued to enable customers to operate their accounts even without BCs and simultaneously to create awareness among the financially excluded. Financial services refer to a whole range of services offered by the financial intermediaries between the surplus spending units and the deficit spending units. Bank insurance companies, mutual funds, and non-bank finance companies are examples of such financial intermediaries. The financial services offered by these financial intermediaries are: deposits, loans, insurance, payment facilities etc. By providing these services to vulnerable groups and weaker sections the aim is to help them come out of poverty. As banks are the gateway to the most basic forms of financial services, banking inclusion/exclusion is often used as analogous to financial inclusion/exclusion.

Financial Inclusion of the unbanked masses is a critical step that requires political will, bureaucratic support and dogged persuasion by RBI. It is expected to unleash the hugely untapped potential of the bottom of the pyramid section of Indian Economy. Financial inclusion may be the next revolution of growth and prosperity. Financial inclusion along with the government developmental programmes as well as financial and economic development in our country extending the banking technological services to every common mass will play a key role towards an inclusive growth.

### **PMJY and Financial Inclusion:**

The present Prime Minister Narendra Modi addresses the nation in his Independence day 15th August 2014 speech for a Comprehensive Financial Inclusion Plan (CFIP) or Sampurn Vitta Samaveshan for its breath taking scope. It is a national mission for financial inclusion to ensure access to financial services, namely, Banking Savings/Deposit accounts, Remittance, Credit, Insurance and Pension in an affordable manner. PMJY figured a new plan action and it is the world's biggest financial inclusion implemented by any developing country. The beneficiary needs to be one electronic bank account. The account holder may have zero balance. However, if the account holder has the cheque facility he has to fulfil a minimum balance. For this more banks branches in unbanked areas to take formal financial services across the whole country. Technology adoption would be a key role in this case. The IBI takes some positive for financial inclusion and for public two sets of

guidelines for issuing licensing for payment banks and small banks. The RBI governor R. Rajan in his conceptual terms outlined that simplicity and reliability in financial inclusion in India, though not a cure all can be a way of liberating the poor from dependence indifferently delivered public services and from venal politician. He said further in order to draw in the poor, the products should address their needs-a safe place to save, a reliable way to send and receive money, a quick way to borrow in times of need or to escape the clutches of the money lender, easy way to understand life and health insurance and an avenue to engage in savings in the old age.

Prime Minister Narendra Modi has main objective is for proper utilization of financial resources of the country. The PMJY plan has initiative the following objectives in mind: (i) Opening up a bank accounts for 75 million poor uncovered households. (ii) Providing each bank account with an overdraft facility of Rs. 5000 accompanied by a RuPay debit card and an accident insurance cover of Rs. 1 lakh. (iii) Seeing Aadhar numbers with the bank accounts to facilitate direct transfer of government subsidy payments for numerous welfare programmes. According to Finance Minister (13<sup>th</sup> August 2015) banks have mobilized deposits worth Rs. 21000 crores.

The government objective was to open at least one bank account for every household to provide financial inclusion of the poor section. But the actual data shows that a sharp fall in the zero balance account from the end of January, 2015 to the end of February i.e. from 67.32% to 62.8%. Experts explained that due to the issuing of more RuPay cards or seeding AADHAR cards for bank transfer in MGNREGA or for the LPG subsidy. The LPG subsidy must be restricted to the poor and there must be an income limit. But most of the people want to avail these subsidies and very few are agreeing to leave up this subsidy.

### **Several Measures for Financial Inclusion:**

Several measures have been adopted in recent years to increase Financial Inclusion.

Two recommendations of the Committee on Financial Inclusion have been accepted by the government. They are: (i) to advise commercial banks including RRBs to add atleast 250 rural household accounts every year at each of their rural and semi-urban branches; (ii) to allow individuals such as retired bank officers, ex-servicemen etc to be appointed as business facilitator or business correspondent or credit counsellor.

RBI in its 2005-06 credit policy issued guidelines to make available 'no frills' account with nil or very minimum balance and charges.

All printed bank materials have to be made available in regional languages.

KYC and Adhar card procedures have been simplified for low-income persons.

Banks have tied up with common service centres. For mobile banking greater co-ordination between mobile telephone companies and banks will be necessary.

According with the central government the state government support will be crucial. For the success of Financial Inclusion commercial viability is required.

Micro-finance may be taken as an important role for Financial Inclusion.

### Conclusion:

The major benefits of the PMJDY are the bank account holder will get a zero balance account and the transaction can easily made through the ATM. The first job for the account holder must have to enrolling a bank account in a nearby bank in his/her city /town. Up to 2<sup>nd</sup> April, 2015 under PMJDY Rs. 14,000 crores has been deposited for financial inclusion. This is a great achievement to provide social security like accident and life insurance and pensions schemes for the PMJDY holders. But there were many problems for implementation of the scheme in the early phase. But it will be methodized in a sequence manner and any effort for financial inclusion for the poor should be welcomed and scrutinized for the betterment of the society as a whole. Kaushik Basu rightly said, "No country in the world has ever succeeded in providing full employment. The chance of India –with its poor quality of governance and high corruption-being the first is zero. Hence, granting people the right to employment is to devalue the meaning of right."

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