

# FINANCIAL INCLUSION IN INDIA WITH SPECIAL REFERENCE TO PRADHAN MANTRI JAN DHAN YOJANA

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**Abstract:** *The concept of financial inclusion has special significance for a fast emerging economy such as India. In most Developing Countries like India, a large segment of society, particularly low-income people, has very little access to financial services. "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 group at an affordable cost". Financial Inclusion the 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 section and low income groups in particular at an affordable cost in a fair and transparent by main stream institutional players.*

**Keywords:** *Financial Inclusion; Inclusive Growth; Financial Services; Indian Financial Services;*

## Introduction

In order to ensure financial inclusion of the poor, particularly in rural areas, various initiatives have been taken by the government of India and Reserve bank of India (RBI) from time to time. These have included nationalization of commercial bank in 1969 and 1980. The establishment and expansion of rural credit co-operatives, regional rural bank, urban co-operative banks, micro finance and self-help group, mutual fund, and Pradhan Mantri Jan-Dhan Yojana (PMJDY), 2014. 'Pradhan Mantri Jan-Dhan Yojana' was announced by Honorable Prime Minister, 'Mr. Narendra Modi', in his first Independence Day address on 15 August, 2014. This is a National Mission on Financial Inclusion includes integrated approach to bring about complete financial inclusion of all the households in the country. This scheme was launched on 28th august 2014. The logo of this scheme is designed by Priya Sharma. The financial inclusion is very important for sustainable economic growth and development for a country like India. Inclusive growth becomes impossible without financial inclusion. Financial inclusion is also must for the economic development of the country.

The main reasons behind poverty are being financially excluded. Though there are few people who are enjoying all kinds of banking services like saving account, net banking, insurance, pension etc. but the opening of scheme PMJDY no household without bank account. In true sense PMJDY is a poverty eradication program. India has committed to become a superpower for which it has to address poverty. The ILO declaration of 1944 proclaimed that "Poverty anywhere is a threat to prosperity everywhere". "Overcoming poverty is not a gesture of charity. It is an act of justice. It is the protection of a fundamental human right, the right to dignity and a decent life. While poverty persists, there is no true freedom.

## Review of Literature

The recent trends in financial inclusion in India with special reference to Pradhan Mantri Jan Dahan Yojana (PMJDY), highlighting its key area and suggest strategies to ensure maximum financial inclusion for the underprivileged and unbanked areas. (Harpreet kaur and kawal Nain Singh, 2015). Diveyesh Kumar (2014) discussed the overview of financial inclusion using PMJDY in India. It is revealed that, the PMJDY is the greatest steps ever taken to eradicate poverty are financial inclusion through PMJDY. It is suggested that, the success of this scheme constant review and regular check is very much essential. The biggest challenge for the banks is from the people who are not availing the banking services. In present scenario, where people have reached to the space, it is very shameful for our country where neither millions of people have even reached to the banks nor bank are capable to reach to those millions of people. (Thapar, 2013). Financial inclusion can benefit the poor by dragging their saving into the formal financial system which grow it over time and increase capital formation. (Subbarao, D., 2009)

## Objective of the Study

1. To study the Financial Inclusion.
2. To get clear understanding of PMJDY.
3. To study the Inclusive Growth.

## Research Methodology

The study is based on secondary sources of data consisting of government publication, RBI report, NABARD report, research articles published in journal, magazines, bank web sources.

## Research Finding

### 1. Financial Inclusion in India

Financial inclusion is one of the system through which Inclusive Growth can be achieved in developing countries where large sections are unable or hopeless to contribute in the Financial System and an inclusive financial system mobilizes more resources for productive purposes leading to higher economic growth, better opportunities and reduction of poverty. Financial Inclusion promotes and develops culture of saving and also enables effective payment mechanism support the resource base of the financial institution which benefits the economy as resources become available for efficient payment mechanism and allocation.

### 2. Pradhan Mantri Jan Dhan Yojana (PMJDY)

The Pradhan Mantri Jan Dhan Yojana, a major socio - economic initiative of the National Democratic Alliance government, was announced by the Prime Minister in his Independence Day speech. Jan Dhan Yojana in English it is nothing but "People's Wealth Scheme". India's Prime Minister Narendra Modi announced the launch of this scheme at the historic Red Fort. The slogan for the Pradhan Mantri Jan Dhan Yojana is "Mera Khata Bhagya Vidhaata" it is nothing but "My Bank Account -The creator of the Good Fortune.

PMJDY is a national Mission on financial inclusion. This Mission would enable all households-urban and rural -to gain easy and universal access to financial services. In this Mission, households will not only have bank accounts with indigenous Rupay debit cards but will also gain access to credit for economic activity and to insurance and pension services for their social security. PMJDY encompasses an integrated approach to bring about comprehensive financial inclusion of all the households in the country. The plan envisages universal access to banking facilities with at least one basic banking account for every household, financial literacy, access to credit, insurance and pension facility.

PMJDY aims to provide bank account to every household in the country and make available the following basic banking services facilities:

- Opening of bank account with Rupay debit card and mobile banking facility.
- Cash withdrawal and deposits.
- Transfer.
- Balance enquiry.
- Mini statement.

Other services are also to be provided in due course in a time-bound manner apart from financial literacy which is to be disseminated side by side to make citizens capable to use optimum utilization of available financial services. To provide these banking services, banking outlets are to be provided within 5 kilometers distance of every village. Necessary infrastructure also needs to be placed to enable e-KYC for account opening and AEPS for withdrawal of cash-based biometric authentication from UIDAI data base.

### Six Pillars of Pradhan Mantri Jan Dhan Yojna

Mission mode objectives and highlights the PMJDY scheme -

1. **Universal Access to Banking Facilities** -First pillar provided banking facilities and services to ensure financial inclusion of the underprivileged section of the society for india. In this mission each district into sub service area (SSA) . Banks are required to provide one fixed point banking outlet as a either branch or Business Correspondent (Bank Mitra) to cater services to 1000 to 1500 households within a short distance of 5 km.
2. **Providing Basic Banking Accounts** It provided basic bank account with overdraft facility and RuPay debit card to all the household. Facility of an overdraft to every banking account holder would be considered after satisfactory operation, credit history of last six months.
3. **Financial Literacy Programme** For successful the scheme financial awareness like saving, loan, ATM use, Electronic benefits Transfer etc are the important things.
4. **Credit Guarantee Fund** Creation of Credit Guarantee Fund (CGF) would be to cover the defaults in overdraft accounts. This provided security to banks system.
5. **Micro Insurance** Micro insurance and general insurance policy is provided under this scheme for the coverage economically vulnerable sections of the Indian society. This facility will be available in the form of health insurance, personal accident, and insurance of house, tools, machinery and instruments.
6. **Provision of Pension Scheme** In this scheme unorganized sector like swavalamban scheme. It encourage them to save income on their own for their old age.

### 3. Inclusive Growth or Action plan for implementing PMJDY

The inclusive growth of PMJDY was found out in two different phase's i.e first phase and second Phase, which were illustrated in table 1.

#### A. First phase (from 15 August 2014 – 15 August 2015)

1. Provided Universal access to banking facilities for all household across the india.
2. Financial literacy programme.
3. Rupay debit card with inbuilt accident insurance cover one lakh and Aadhaar number will be link to make account ready for DBT payment and subsidies.
4. Banking over draft facility up to Rupess five thousand.
5. Issuing KCC ( kissan credit card) as Rupay kissan.

#### B. Second phase (from 15 August 2015- 14 August 2018)

1. Micro insurance will be provided to all the people.
2. This phase would also cover the remaining adults and students households in hilly, tribal, and difficult areas.
3. The Pension schemes like Swavalamban for unorganised sector.

**Table 1. Progress Report of PMJDY Scheme: Beneficiaries as on 18/04/2018 (All figures in Corers)**

S. No	Bank Name/ Type	Number of beneficiaries at rural/semi urban center bank branches	Number of Beneficiaries at urban metro center bank branches	No. of Rural Urban Female Beneficiaries	Number of Total Beneficiaries	Deposits in Accounts (In Crore)	Number of Rupay Debit Cards issued to Beneficiaries
1	Public Sector Banks	13.67	11.77	13.33	25.44	65267.46	19.1
2	Regional Rural Banks	4.27	0.79	2.76	5.05	13507.64	3.68
3	Private Sector Banks	0.6	0.4	0.52	0.99	2227.55	0.92
4	Grand Total	18.53	12.95	16.62	31.48	81002.64	23.69

From above table it can be easily accessed that there is a tremendous amount of increase in no. of accounts opened both rural and urban, No .of Rupay Debit card, Balance in accounts and No. of accounts with zero balance.

### Conclusion

It is the greatest steps ever taken to eradicate poverty are financial inclusion through PMJDY. For the success of any scheme constant review and regular check is very much essential. Successful implementation would not only reduce poverty but also puts a check on corruption. A bold first step by Government of India indeed helped many to come into the main stream of economy and reduce financial untouchability. This mission would enable all households, urban and rural to gain easy and universal access to financial services. Exclusion from the banking system excludes people from all benefits that come from a modern financial system. The PMJDY scheme is fully helpful to rural and urban area people in getting directly government financial services. The PMJDY scheme has created an impressive result in the banking sector with regard to eradication of financial untouchability in the country. Mere opening of bank accounts may not fulfill the aim of the scheme, but there should be continuous operation of bank accounts to give the real success of the scheme.

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