ABSTRACT

India is a rich country in terms of population whereas the living standard is dismal due to incessant poverty. India has committed to become a superpower for which it has to address poverty. Financial inclusion is considered to be a recipe to the problem. Financial inclusion or inclusive financing is the delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of society, in contrast to financial exclusion where those services are not available or affordable. An estimated 2.5 billion working-age adults globally have no access to the types of formal financial services delivered by regulated financial institutions. Jan dhan an ambitious project of Prime Minister Shri Narendra Modi is definitely an eye opener to empower people under the Below Poverty line. The purpose of Jan dhan is to include the excluded people for sharing of the benefits sponsored by the Government. Every household shall have the banking facility with a kit containing of financial literacy, pass book, cheque book, debit card, Overdraft facility and also insurance coverage. Banks both Nationalized and a few private banks have been pressed into action to meet the required target. By January 2015, a lot of household will be bought under Jan dhan thereby they come out of financial untouchability. Efforts are being made to enlarge the infrastructure both in the urban and in the rural area to achieve the said target.

The paper on Jan dhan - Issues and Challenges aims to examine the financial inclusion with reference to Jan dhan, its benefits, its challenges and also few suggestions to overcome the hiccups.

Keywords: Financial Inclusion; Jan Dhan; Financial Literacy; Swabiman Village Swavalambhan; Jan Dhan Kit

INTRODUCTION

Financial inclusion is imperative for a developing country like India. The former Deputy Chairman Planning Commission, Government of India in his report to the Parliament emphatically stressed that poverty is the major concern for the country. Further he says over 62% of the total population comes under the Below Poverty Line. Further he admitted the fact that even after 68 years of Independence, a large section of Indian population have been deprived of the banking facilities, hence inequality among the urban and the rural, rich and poor and so on. The financial untouchability has been persistently continued. In an endeavor to include the excluded people for banking facility a committee was constituted in 2004 lead by Mr. Khan. The Committee recommended unambiguously that financial inclusion is the need of the hour. A few recommendations including financial inclusion were implemented in 2005. Mr K. C. Chakraborty, the Managing Director of Indian Bank was the first person to inject financial inclusion for the benefit of poorer people, Mangalam, a village in Madhya Pradesh was taken up by the bank with reference to financial inclusion. All households were given an opportunity to open bank account with the sole motto of creating literacy on financial inclusion besides extending the benefits of products and services.
The NDA in its election manifesto committed itself combat poverty. Mr. Narendra Modi, the prime minister of the nation in his maiden speech at the Redfort on the eve of Independence Day i.e., August 15th unhurled his dream project entitled Jan dhan to weed out poverty. The financial inclusion on Jan dhan was launched on August 28th, 2014.

Jan dhan is governed by the Department of Financial services, Financial Ministry. The purpose of Jan dhan is to enable everyone in the country to avail of Government sponsored benefit through a bank account. Twenty eight nationalized banks and two private banks have been pressed into action to accomplish the target set in by Mr. Narendra Modi .interestingly 15 million bank accounts were opened on the very first day .By 30th September, 2014, 3.02 crores account were opened with over Rs1,500 crores by way of deposits. Zero balance facility is also provided to the people under below poverty line and also students and others both in urban and rural areas

The nationalized banks have evinced a lot of interest owing to their statutory commitment whereas the private banks could not do so due their inertia towards it.

OBJECTIVES OF THE STUDY

1. To understand the need and importance of Financial Inclusion in India
2. To analyse the relevance of Jandhan scheme
3. To identify the major challenges for the induction of Jandhan Scheme
4. To recommend suggestions for the effective implementation of Jandhan Scheme

Current Status of Financial Inclusion in India

1. RBI vide in its midterm review of Annual Policy Statement for the year 2005-2006, advised Banks to align their policies with the objective of financial inclusion. Banks were advised to make available a basic banking ‘ No frills’ account either with ‘ nil’ or very minimum balances as well as charges that would make such accounts accessible to vast sections of population. Besides, it has been emphasized upon by the RBI for deepening and widening the reach of Financial Services so as to cover a large segment of the rural and poor section of the population.

2. RBI in the year 2006, with the objective of ensuring greater financial inclusion and increasing the outreach of the banking sector, decided in public interest to enable the banks to use the services of NGOs/ SHGs, MFIs and other Civil Society Organization as intermediaries in providing financial and banking services through use of “Business Facilitator and Business Correspondent Model”

3. Census 2011 estimated that out of 24.67 crore households in the nation, 14.48 crores (58.7%) households had access to banking services. Of the 16.78 crore rural households, 9.14 crore (54.46%) were availing banking services. Of the 7.89 crore urban households, 5.34 crore (67.68%) households were availing banking services.

4. In the year 2011, Banks covered 74,351 villages, with population more than 2,000(as per 2001census), with banking facilities under the “Swabhimaan” campaign with Business Correspondents also play an important role. However the programme had a very limited reach and impact.

Table 1. Statistics on the Population census, Percentage of Aadhaar issued and Bank accounts opened as per Urban and Rural area of Different states in India as of 31/12/2012
Table 1. Statistics on the Population census, Percentage of Aadhaar issued and Bank accounts opened as per Urban and Rural area of Different states in India as of 31/12/2012 (Contd. . . )

<table>
<thead>
<tr>
<th>State/Union Territory</th>
<th>Population Census-11</th>
<th>Aadhaar Issued</th>
<th>Aadhaar Issued- %</th>
<th>Accounts Rural</th>
<th>Account Urban</th>
<th>Total Accounts</th>
<th>Aadhaar Seeded</th>
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<td>16824167</td>
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</table>

Information is based upon the data as submitted by different Banks/SLBCs

The above table clearly shows that Pradhan Mantri Jan dhan joyana has played a vital role in increasing the bank accounts in rural and urban areas of India. Jan dhan has also lead to increase in the issue of Aadhar cards .If individuals are given access to financial services at this rate there would be economic development and poverty alleviation at a faster rate.

Benefits of Jan Dhan

The following benefits may be availed by the people who open their account under Jan dhan

1. Account holders will be provided zero-balance bank account with RuPay debit card, in addition to accidental insurance cover of Rs 1 lakh

2. Those who open accounts by January 26, 2015 over and above the 1 lakh accident, they will be given life insurance cover of Rs 30,000(to be given by LIC).
3. After six months of opening of the bank account, holders can avail 5,000 overdraft from the bank. Overdraft facility is of great support to the people to come out of the clutches of pawnbrokers who charge an exorbitant rate of interest.

4. With the introduction of new technology introduced by National Payments Corporation of India (NPCI), a person can transfer funds, check balance through a normal phone which was earlier limited only to smart phones so far.

5. Mobile banking for the poor would be available through National Unified USSD Platform (NUUP) for which all banks and mobile companies have come together.


7. Account holder will have a debit card which can be used for E-Commerce transactions.

8. Additional loan of Rs 15,000 will be sanctioned to the account holder in case the repayment of each loan was made on time.

9. Mobile banking facility would also be extended.

10. Account holders would get attractive rate of interest on deposits besides availing of pension Facility notified by the Insurance Company.

**Challenges of Jan Dhan**

1. Many cases have been detected where an individual has opened more than one account in various banks.

2. Budgetary provisions has not been made by the Government to provide incentives, otherwise the financial status of the banks may be ruined.

3. Insurance companies have to fix a nominal premium to cover the risk of the account holders in case it is not done the State Owned LIC may batter with financial losses.

4. Overdraft facility needs to be properly regulated, as the same is the discretionary of the concerned banks. Many banks may decline to extend the overdraft facility therefore defeating the purpose.

5. Business correspondents if made to accomplish the objective may misuse the authority and thereby making the life of people under below poverty line miserable.

6. KYC norms is not insisted under this programme therefore duplication is unavoidable.

7. EFT needs to be extended to the people concerned whereas lack of awareness may be a major hindrance for them to avail of the facility.

8. RBI has to accord approval to banks so as to enable them to establish more branches keeping in view the number of villages and the population. Presently 6, 58,000 villages form rural India. The apex bank has to address the issue.

9. Bank correspondence what is called bank mitra is the idea before the finance ministry whereas creating infrastructure mitra for business mitra, including computers, micro ATM, biometric scanners, and internet connectivity may be a major concern.

10. There is a commitment on the part of the Government to provide Rs 50,000 towards equipment, Rs 25,000 towards working capital and Rs 50,000 towards vehicle. These arrangements have been made without budgeting provisions.

11. Bank mitra to be appointed in terms of lakhs. They should be properly trained with accurate knowledge, skill and attitude and the outcome of the training shall be visible in terms of accomplishing the target.
12. Making every village a Swavalamban village is considered to be an advantage but the lack of infrastructure may become a major hurdle for the effective implementation.

13. Reserve Bank of India being the apex bank of Indian Banking System has to set in a roadmap for the financial inclusion to be effectively implemented by the Indian banking system.

14. Private Banks levy hidden charges on the beneficiary which may become a deterrent for the financial inclusion.

RECOMMENDATIONS

1. In an endeavor to streamline Jan dhan scheme for the systematic implementation, the following issues may be pondered over by the author.

2. Budgetary provisions may be made by the Government for poverty eradication under which significant amount can be charged through nationalized banks for transmitting the benefits to the beneficiary.

3. Duplication of accounts by a single person shall be checked under the KYC details

4. Banks and India post can be pressed into action for the effective implementation of Jan dhan. Private banks shall be strictly warned not to levy hidden charges in case they join hands in the process of poverty eradication.

5. More centers of financial literacy may be established to bring excluded people under financial inclusion

6. Regulation or financial inclusion shall be homogeneous and not varied from bank to bank

7. An unambiguous MOU may be signed by the finance ministry by the mobile service providers so that mobile banking can be effectively utilized by the account holders under Jan dhan.

8. The ATM needs to be strengthened in terms of more Kiosks not only in urban but also in rural India.

9. No frill account should be encouraged by the banks in India otherwise the financial inclusion especially for the people who are deprived of banking services will have a backseat.

10. Swabhiman campaign with business correspondents needs to be enlarged so as to enable to have reaching to the unreached.

CONCLUSION

Financial inclusion which was taken off in India in 2005 is gaining a lot of momentum, especially after 2010. Poverty is a curse for the growth in India, which needs early attention to address it. Jan dhan is an attempt to enable a large chunk of household who can be given banking facility. The Government may ponder over to transfer the benefits of Government sponsored project to the account holders directly; hence no avenue for corruption. India may set in a time frame to address poverty in case poverty is arrested by 2026, India may emerge as a superpower by 2030.

REFERENCES


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