ABSTRACT

Development is an aggregate concept; it is, in fact a comprehensive term which encompasses the balanced, just and equitable development of all the sections of the society. Financial inclusion is one such instrument which aims at including the weaker section of the society to participate in the mainstream of the economy. So far various schemes have been launched by the government. Among these schemes the recent one is Prime Minister Jan Dhan Yojna (PMJDY) which primarily focuses on bridging the gap between rich and poor and thereby mitigating economic disparity by enabling the masses especially those living in rural areas; to have access to financial system. This research paper is an attempt to analyze this scheme from the point of view of the rural masses, to find out the obstacles in the path of financial inclusion and give suggestions to overcome them.

Keywords: Financial inclusion, Prime Minister Jan Dhan Yojana(PMJDY), banks, rural population, development

INTRODUCTION

PMJDY is essentially a step towards Financial Inclusion. Financial Inclusion is 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 sections and low income groups in particular at an affordable cost in a transparent manner by the institutional players. It is a Partnership between Banks, MFIs and Communities focusing at inclusive growth. The Financial Stability and Development Council (FSDC) headed by the Finance Minister council is formed to focus on financial inclusion and financial literacy. Reserve Bank of India along with all other financial sector regulators, banks and other financial sector entities is focused to the success of this mass level mission. It is not possible to attain any goal be it financial, economic, political or social stability or inclusive growth without achieving financial inclusion the people living in rural areas are illiterate and have no technical knowhow; moreover, they have lesser means of transportation to reach at financial institutions which are generally situated in prime locations. Therefore, successful implementation of PMJDY is a real challenge for the government.
SCOPE OF STUDY

1. Technology Enhancement
2. Simplification of documentation
3. Private Banks Participation
4. Customized products

SIGNIFICANCE OF RESEARCH

This study will have the following implications:

1. Research: As this is a new scheme, this study will provide input for future researches.
2. Academics: This study will be useful for academicians particularly with regard to the disciplines like Commerce and Management.

OBJECTIVES OF THE STUDY

i. To study the various factors related to PMJDY that produce an impact upon the living standard of rural people.

ii. To find out the role of new technologies in banking in the implementation of PMJDY.

iii. To find out the challenges in the implementation of PMJDY.

iv. To suggest the various methods that, if introduced in the Indian Banking sector, may lead to the upliftment of the living standard of rural population.

REVIEW OF LITERATURE

With reference to the financial inclusion in India, Kawal and Kaur (2015) has suggested various improvements including private banks participation, customized products, need for composite financial services, setting of Biometric ATMs in rural areas for catering to illiterate customers, technology enhancement, simplification of documentation and doorstep banking.

Biekpe (2002) has suggested that the policies that motivate and stimulate greater consolidation in the financial sector would go a long way to enhance competition among banks and improve efficiency and profitability.

Yazdani (2015) investigates the role and performance of private bank’s on the economic growth of Iran by using the variables namely economic growth, profitability, cash, and investment. The analysis has been proposed through various questions by conducting two main hypotheses and five minor hypotheses for his study. He has focused on financial sectors with relation to private banks and its impact on economic growth of the agriculture bank loans of Iran. Kakoei (2007) investigates the Globalization and its Effects on the Banking System performance in Egypt by using descriptive quantitative analysis method, using published data and Information’s in the reports of the Central Bank of Egypt, besides the books and scientific periodicals in this field.

Ravi kumar (2012) suggested the role of banking sector in financial inclusion process in India. According to him distribution of banking system is another indicator of level of financial inclusion in a country. Banking system should not be concentrated on a particular area or region in a country like India which has vast geographical area and population.

Besides debate concerning the role of finance in economic development, economists have also debated the relative importance of bank-based and market-based financial systems for a long time (Demirguc-Kunt and Levine, 2012). Joseph Schumpeter argued that banks assume a crucial role in economic development. Banking sector can wield a positive influence on the overall economy, and, hence, is of broad macroeconomic importance.
Awasthi (2015) discussed two elements of Financial inclusion - good financial decision-making (the ‘demand side’ of the equation) and access to suitable products and services (the ‘supply side’). Good financial decision making requires financial literacy and financial capability.

For Ambitious Plan for Financial Inclusion, Rai (2014) discussed the benefits of Pradhan Mantri Jan Dhan Yojna. According to her bringing every household within the grasp of banking system has been key policy concern for policy makers ever since the nationalization of banks in 1969. The provision of an overdraft facility under the PMJDY would further expand the poor’s access to credit. There is enough literature and evidence which shows that access to financial services has a positive impact on household consumption, self-employment, poverty and overall wellbeing among lower income groups.

A Study of Banking Sector’s Initiatives towards Financial Inclusion in India has been carried by Jain (2014), in which he has discussed products offered by various private banks like ICICI, HDFC, AXIS AND Kotak Mahindra banks.

**Financial inclusion efforts of the ICICI group**

Direct Lending through ICICI Bank’s Microfinance Programme: ICICI Bank’s micro finance programme is one of the largest among private sector banks in India with a portfolio of Rs.9.6 billion and a client base of 3.5 million. Its micro finance portfolio scaled up with the use of an innovative financing structure, the “Partnership Model”. It has focused upon

- Micro-savings
- Capacity Building for MFIs
- Micro Insurance
- Government Welfare Schemes

**Financial inclusion efforts of the HDFC bank**

HDFC bank is using technology as a common thread for all its initiatives, whether micro-credit, micro-savings, micro-insurance, capacity building, and financial literacy or SHG linkage. The key services are-

- Unnati Savings A/c
- The Kisan Gold Credit Card (KGC)
- M-Paisa:-HDFC Bank and Vodafone India launched product for financial inclusion-HDFC Bank Mobile Bank Account with Vodafone m-paisa on 26th November, 2011, which will help millions of Indians with access to banking and money transfer.

**Financial inclusion efforts of the AXIS Bank**

AXIS bank has launched Rural Financial Inclusion Initiatives in Dindori, in Nashik District, Pulbazar Block in Darjeeling District and East Sikkim on an online POS model involving POS terminals as the transacting device and bank issued debit cards as the transacting instrument. Seven Rural Credit Cooperative Societies have been appointed as Business Correspondents (BC) to source accounts and provide banking services to the customers. The group also supported Urban Financial Inclusion Initiatives in Bangalore, Chennai and Delhi on the same POS model in association with Janalakshmi Social Services. They have also launched a remittance led pilot in the Dharavi - Allahabad remittance corridor in association with IDEA Cellular on a mobile payment platform.

The bank has launched customized products for the financial inclusion customer segment in the category of savings - No Frills Savings accounts, Credit & Micro Insurance.
Kotak Mahindra Bank

KMBL has more than 2.79 Lakh Basic Savings Bank Deposit Account opened under its Financial Inclusion Initiative. The Bank has started its Financial Inclusion Initiative at Mehsana & Banaskantha Districts of Gujarat, Silvassa district of Dadra & Nagar Haveli and Balodabazar, Bilaspur, Gariabandh & Mungeli District of Chhattisgarh by offering E-Passbook and Smart Cards along with BSBDA (Basic Savings Bank Deposit Account). More than 2.26 Lakh Smart Cards have been issued and 189 Customer Service Points (CSP) are fully operational offering basic banking services under the ICT based Financial Inclusion Initiative.

Kotak Mahindra Bank has covered 49 villages through its own rural bank branch network and 693 villages through Business Correspondents. The Kotak BSBDA/Small Account is a Savings bank account with all basic banking facilities with no Minimum Balance requirements and hassle free documentation.

**Literature Gap**

<table>
<thead>
<tr>
<th>Earlier</th>
<th>Now</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus on village- full geography is not covered</td>
<td>Focus on household and coverage of full geography</td>
</tr>
<tr>
<td>Lacked regular monitoring</td>
<td>Financial inclusion campaign in Mission mode</td>
</tr>
<tr>
<td>Focus on account opening- large number of accounts remained dormant.</td>
<td>Account opening to be integrated with DBT, credit, insurance and pension.</td>
</tr>
<tr>
<td>Offline accounts-technology lock-in with the vendor</td>
<td>Only online accounts in CBS of the bank.</td>
</tr>
<tr>
<td>No guidelines on the remuneration of the BC-banks went with corporate BCs who used to be least expensive to them.</td>
<td>Minimum remuneration of the BCs fixed at Rs. 5000/- (fixed+ variable)</td>
</tr>
<tr>
<td>No active involvement of States/Districts</td>
<td>State level and District level monitoring committees to be set up.</td>
</tr>
<tr>
<td>Financial literacy has no focus.</td>
<td>The rural branches of banks to have dedicated Financial literacy cell.</td>
</tr>
<tr>
<td>No brand visibility of the programme &amp; BCs</td>
<td>Brand visibility for programme &amp; BC proposed</td>
</tr>
<tr>
<td>Interoperability of accounts is not facilitated here</td>
<td>Interoperability through Debit Card</td>
</tr>
<tr>
<td>Providing credit facilities is not encouraged.</td>
<td>OD limit after satisfactory operations.</td>
</tr>
<tr>
<td>Cumbersome KYC formalities</td>
<td>Simplified KYC/ e-KYC in place</td>
</tr>
</tbody>
</table>

**Phases of PMDJY**

The Jan Dhan Yojna is to be implemented in two phases. In the first phase (15 August 2014 to 14 August 2015) the aim is to provide universal access to banking facilities through a bank branch or business correspondent; basic banking accounts with overdraft facility of Rs 5,000 based on the performance during the first six months; and RuPay debit card with inbuilt insurance cover of Rs 100,000. Bank accounts opened between 28 August 2014 and 26 January 2015 would also get life insurance cover worth Rs 30,000. There will also be a financial literacy program.

In the second phase (from 15 August 2015 to 14 August 2018) micro insurance and pension schemes for the unorganized workers would also be provided. Besides it some of the other special benefits under the PMJDY are- interest on deposits, no minimum balance requirement, easy transfer of money across India, direct benefit transfers in these accounts, access to insurance &pension products etc. This program for financial inclusion is based on six pillars:

1. For wider geographical coverage, the country will be divided into a number of sub-service areas (SSA), each with 1000-1500 households. One branch or BC will be established within a distance of 5 km from every SSA by August 2015.
2. Financial Literacy Program will be expanded to spread awareness about financial services.
3. A Credit Guarantee Fund will be created before August 2018 to cover potential defaults in overdrafts.

4. Under the Swavlamban Yojna Pension Payments for workers in the unorganized sector will be made through bank accounts by August 2018.

5. A minimum payment of Rs 5000 is provided for each of the BCs who are direct link between the account holders and the concerned bank.

6. RuPay debit card is provided with inbuilt insurance cover provided RuPay card is used at least once in 45 days.

**Importance of PMJDY**

1. Reducing the gap between the different sections of the society
2. Reduction in the poverty level and unemployment
3. Increase in awareness about the financial product
4. Reduction in regional or social disparity
5. Improving living standard of the society

**Role of RBI**

RBI has adopted a bank-led model as its main plank for achieving the goals under financial inclusion and tried to remove all regulatory roadblocks. Due to the constraints involved in going for a full-fledged brick & mortar branch model, RBI has adopted the ICT based agent bank model through Business Correspondents for ensuring door step delivery of financial products and services.

RBI has undertaken a series of policy measures to make this unique model of Financial Inclusion a success. Some of these policies are following:

1. Relaxation on KYC norms
2. Simplified branch authorization
3. Pricing has been made free
4. Liberalisation of Business Correspondents Model
5. Opening of branches in unbanked rural centres
6. Financial Inclusion Plan for Bank

**Role of banks in financial inclusion plan so far**

1. Coverage of villages: Banks have, up to June 2011, opened banking outlets in 1.07 lakh villages up from just 54,258 as on March 2010. Out of these, 22,870 villages have been covered through brick & mortar branches, 84,274 through BC outlets and 460 through other modes like mobile vans, etc.

2. Opening of No-frills accounts: Basic banking “no-frills” account, with “nil” or very low minimum balance requirement as well as no charges for not maintaining such minimum balance, were introduced as per RBI directive in 2005.

3. Small Overdrafts in No-frills accounts: Banks have been advised to provide small ODs in such accounts. Up to June 2011, banks had provided 9.34 lakh ODs amounting to Rs.37.42 crore.

4. General Credit Cards: Banks have been asked to consider introduction of a General Purpose Credit Card (GCC) facility up to Rs. 25,000/- at their rural and semi-urban branches.
5. Kisan Credit Cards: Kisan Credit Cards to small time farmers have been issued by banks. As on June 30, 2011, the total number of KCCs issued has been reported as 202.89 lakh with a total amount outstanding to the tune of 1,36,122.32 crore.

**Progress of PMJDY**

The scheme was launched with initial target of opening 7.5 crore accounts. Over 80,000 camps were organized in 600 districts across the country on the day of the launch and a record 1.5 crore bank accounts were opened across the country on the same day. Moreover, target of 7.5 crore was achieved in just 2.5 months. Such overwhelming response of the public led the government to further revise the target to 10 crore to be achieved by 26 January 2015 but now the Government is claiming that record 11.5 crore accounts have been opened across the country till 17 January 2105 bringing 99.74 % families into the formal banking system. According to Finance Minister Shri Arun Jaitly this scheme will be a “game changer” for the economy and help poor families by transferring Rs 33,000 crore of LPG subsidies and other social benefits under various schemes like MANREGA. As regards LPG subsidy around Rs 1757 crore has already been transferred in these accounts.

**Table 1: Details of Accounts Opened under PMJDY as on 07.6.2017**

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Bank Category</th>
<th>No of Accounts</th>
<th>No of Debit Cards (In Lacs)</th>
<th>Balance in Accounts (In Lacs)</th>
<th>No of Accounts With Zero Balance (In Lacs)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Rural</td>
<td>Urban</td>
<td>Total</td>
</tr>
<tr>
<td>1</td>
<td>Public Sector Banks</td>
<td>533</td>
<td>451.47</td>
<td>984.48</td>
<td>912.32</td>
</tr>
<tr>
<td>2</td>
<td>Regional Rural Banks</td>
<td>184.89</td>
<td>32.98</td>
<td>217.87</td>
<td>149.68</td>
</tr>
<tr>
<td>3</td>
<td>Private Banks</td>
<td>32.26</td>
<td>20.12</td>
<td>52.38</td>
<td>45.93</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>750.15</td>
<td>504.57</td>
<td>1254.73</td>
<td>1107.93</td>
</tr>
</tbody>
</table>

Source: Compiled from the website www.pmjdy.gov.in

The PMJDY has been emphasizing the importance of Aadhar- enabled Direct Benefit transfer (DBT) of social welfare benefits through RuPay debit cards for which ATM network assumes significance which has been weak in rural and semi urban areas as shown in Table 2.

**Table 2: Number of ATMs**

<table>
<thead>
<tr>
<th>End- March</th>
<th>Total number of ATMs</th>
<th>Geographic ATM penetration</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>17642</td>
<td>5.4</td>
</tr>
<tr>
<td>2006</td>
<td>21147</td>
<td>6.4</td>
</tr>
<tr>
<td>2007</td>
<td>27088</td>
<td>8.2</td>
</tr>
<tr>
<td>2008</td>
<td>34789</td>
<td>10.6</td>
</tr>
<tr>
<td>2009</td>
<td>43651</td>
<td>13.3</td>
</tr>
<tr>
<td>2010</td>
<td>60153</td>
<td>18.3</td>
</tr>
<tr>
<td>2011</td>
<td>74505</td>
<td>22.6</td>
</tr>
</tbody>
</table>

Source: RBI’s Report on trend and Progress of Banking in India 2012-13

**Issues and challenges in PMJDY**

1. Banking system definitely has to face sum serious financial and operational problems during the implementation of multifarious PMJDY. One of the main features of PMJDY is the provision of zero-balance bank accounts with overdraft facility of Rs 5,000 per household after satisfactory operation of the account for six months. It means banks have to provide...
overdraft facilities to 11.5 crore bank accounts to the extent of Rs 57,500 crore within the next four years or so.

2. Keeping in view extensive geographical coverage of the PMJDY banks have to open up huge number of branches in around unbanked villages.

3. The PMJDY relies heavily on the BC model for expanding the banking network in both rural and urban areas. In the past low remuneration of Rs. 2,000-3,000 per month to the BCs was found to be the most important reason for their unsatisfactory performance.

4. Poor telecom connectivity in rural and hilly areas has posed another big challenge in the mission of 100% coverage of households in the country. The use of information and technology (ICT) for banking transactions is must especially because this new mission is heavily depending on huge network of BC outlets across the country.

SUGGESTIONS

1. PMJDY can be made a landmark in the area of financial inclusion by building a strong infrastructure in rural areas, opening up of new banks and branches, Private Public Partnership (PPP) with private banks.

2. Awareness programmes should be run effectively. Moreover, the procedural formalities should be reduced and simplified.

3. A user – friendly system should be developed so that the illiterate people may also get the benefit of the scheme.

4. Continuous monitoring is required to see the loopholes and take earliest steps to check them.

5. Government, RBI, Media and financial institutions will have to collaborate consistently and effectively.

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