

Short Communication

A Study of PMJDY in Rising India: A Move for Financial Inclusion

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Abstract

The term 'Financial Inclusion' has been a very popular since the Prime Minister of India, Dr Narendra Modi, addressed the topic. He initiated a drive to enhance the savings of people living in rural areas and to increase economic growth. He made it mandatory for each and every resident to enroll themselves in this scheme As the banking services and facilities are meant for the general public, it is essential that everyone avails them, without any discrimination based on creed, caste, and income Financial inclusion is globally considered an indicator of the development and well-being of a country. Financial inclusion broadens the aid base of the monetary device by developing a way of life of financial savings among a huge segment of rural populace. It also plays a role in economic development. Further, by bringing low-income groups within the perimeter of the formal banking sector, financial inclusion protects their monetary wealth and other assets in exigent circumstances. Financial inclusion, additionally mitigates the exploitation of the vulnerable sections of society with the aid of the usurious money creditors via facilitating easy get entry to formal credit.

Keywords: Financial Inclusion, PMJDY Economic Growth, NIRA

laborers. This has been one of the key components of India's financial inclusion programs. Banking services and facilities are meant for all citizens. It is, therefore, essential that the general public avails the services and facilities without any discrimination based on creed, caste, and income. Inclusion programs are considered indicators of the development and well-being of the society. Financial inclusion strives to address the challenges faced by the rural masses in India in accessing financial services. The need for financial inclusion was a result of the publication of the RBI's 2006 annual report, where the significance of financial inclusion was highlighted. The report also mentioned the exclusion of a majority of the people in the country from availing banking services. It stated that people in low-income groups are unaware of banking facilities. When banks realized the significance of a financially inclusive society, they attracted many stake holders. Examples of financial inclusion can include:

- Providing zero-balance accounts to the poor.
- Relaxing the KYC guidelines.
- Opening bank branches in rural and other remote areas.
- Providing basic financial education to the illiterate and the poor.

Literature Review

The Government of India's Committee on Financial Inclusion in India starts its report by characterizing budgetary consideration as the way toward guaranteeing access to money-related administrations, and convenient and sufficient credit, where required, for example, the low-salary population, at a reasonable expense.

Introduction

Financial inclusion is a process of ensuring access to financial services, and timely and adequate credit, for vulnerable groups, including women, senior citizens, migrants, marginal farmers, urban dwellers, and landless

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Dixit Radhika, in her paper (2013), states that monetary consideration is one of the most vital opportunities which should be fairly conveyed to the nation so as to achieve extensive development. Singh Charan and Naik Gopal, in their study, affirm that considerations that were hampering the financial framework was absence of consciousness in government activities, good practices followed by banks, and long-haul relationships with cash loan specialists. Singh Anurag and Tondon Priyanka concluded that in order to accomplish the objective of complete monetary consideration, policymakers, banks, MEIs, NGOs, and controllers, need to cooperate. Kapadia Sunil and Madhav Venu.

Rajan (2014) expressed that comprehensiveness, not simply speed or numbers, was basic. It would be a waste if copy accounts were opened, and if full inclusion was not accomplished and accounts were not utilized. RBI would work with banks to guarantee the adequacy of the measures taken. This would recommend that there is substance both to charges of contrasts in the administration and RBI impression of the pace and substance of the monetary incorporation drive; just as the perspectives on cynics unconvinced about the practicality and accomplishment of the crusade mode received.

Bhatia and Sharma (2015) endeavored to know the effect of PMJDY, and the uniqueness of the PMJDY plot, just as steps taken by a bank of investors to improve the degree of budgetary incorporation. The specialists expressed that the opening of a no-frills account, relaxing the KYC (Know Your Customer) standards, connecting BCs (Business Correspondents), ICT (Information and Correspondence Innovation), EBT (Electronic Advantage Move) appropriation, charge cards office, rearrangement of branch approval, conquering the language obstructions, multi-year plan for money-related incorporation, and budgetary proficiency, were the moves made by RBI toward monetary consideration. They concluded that EBT, just as DBT (Direct Advantage Move), were the proposed columns, adding money-related fiscal advantages given by the administration bodies to appropriately execute the plan.

Narayana et al. (2016), throughout their joined investigation entitled 'An examination on budgetary consideration activities and difficulties in India concerning PMJDY', concentrated on contemplating the execution and difficulties. It was an exploratory-cum-graphic investigation dependent on auxiliary information.

The specialists discovered that there was a ceaseless expanding pattern among rural and urban individuals for support in a money-related administration through the financial industry. They presumed that administration conveyance was as yet the genuine test, and to meet this, and to fuel the PMJDY, the postal division must be given a permit to fully handle banking services, as the Postal Office has the biggest inclusion in India.

Joshi (2016), in his investigation, examined the moving patterns in a monetary program concerning PMJDY. The analyst concluded that PMJDY was an achievement for money-related consideration in India, yet reasoned that the entire plan might demonstrate inefficient work, on the off chance that it prompts accounts duplication, no exchange in these records, and the involvement of the account holder.

Objectives of the Study

- To study the actual overall progress made under Pradhan Mantri Jan Dhan Yojana.
- To analyze the impact of financial inclusion in society.
- To check the steps taken by the government for promoting financial inclusion.
- To know the awareness level of the scheme among the people of different socio-economic backgrounds.

Research Methodology

This Research Paper is descriptive and conceptual in nature, and is based on secondary data sourced from publications of various government and private organizations, that is, data provided in newspapers, journals, magazines, and websites.

Present Situation Analysis

- Census 2011 reveals that 58.7% households had availed banking services in India against 35.5% in 2001.
- As on 31 March 2015, a total of 125,857 branches of scheduled commercial banks were functional, which includes 85,895 branches of Public Sector Banks.
- As on October 2015, a total of 19.02 crore accounts have been opened under the PMJDY.

- In July 2019, around 36.25 crore accounts were opened under the scheme in which Rs. 1,00,831 crores have been deposited, an RTI news article revealed.

Need for Financial Inclusion in India

Arranging research by a few money-related specialists and policymakers, the administration propelled plans, keeping budgetary incorporation in mind. These plans have been launched over various years. The plans are as follows:

- Pradhan Mantri Jan Dhan Yojna (PMJDY)
- Atal Pension Yojana (APY)
- Pradhan Mantri Vaya Vandana Yojana
- Stand Up India Scheme
- Pradhan Mantri Suraksha Bima Yojana (PMSBY)
- Sukanya Samridhi Yojana
- Jeevan Suraksha Bandhan Yojana
- Credit Enhancement Guarantee Scheme (CEGS) for Scheduled Castes (SCs)
- Venture Capital Fund for Scheduled Castes under the Social Sector Initiatives
- Varishtha Pension Bima Yojana

Salient Features of the Scheme

- All households across the country, both rural and urban, are to be covered under the scheme. Bank accounts are going to be opened for six crore accounts in villages and 1.5 crore accounts in urban areas.
- All bank accounts opened under the scheme are to have an overdraft facility of Rs. 5,000 for Aadhaar-linked accounts, after satisfactory operation within the account for six months.
- Issuance of RuPay Debit Card with in-built Rs. 1 lakh personal accident insurance cover provided by HDFC Ergo and a life cover of Rs. 30,000 provided by LIC.

Steps Taken by the RBI in the Context of Financial Inclusion

Besides this, in India, the RBI has initiated several measures to achieve greater financial inclusion, such as

facilitating no-frills accounts and GCCs for small deposits and credits. Some of these steps are:

- *Opening of No-Frills Accounts:* Basic banking no-frills account is with nil or very low minimum balance, as well as charges that make such accounts accessible to vast sections of the population. Banks have been advised to provide small overdrafts in such accounts.
- *Relaxation of Know-Your-Customer (KYC) Norms:* The banks were permitted to take any evidence as to the identity and address of the customer to their satisfaction. It has now been further relaxed to include the letters issued by the Unique Identification Authority of India containing details such as name, address and Aadhaar number.
- *Engaging Business Correspondents:* In January 2006, the RBI permitted banks to engage business facilitators as intermediaries for providing financial and banking services. The BC model allows banks to provide doorstep delivery of services, especially cash-in-cash-out transactions, thus addressing the last mile problem.
- *Use of Technology:* Banks have advised to make effective use of information and communications technology (ICT) to provide doorstep banking services through the BC model, where the accounts can be operated by even illiterate customers by using biometrics, thus ensuring the security of transactions and enhancing confidence in the banking system.
- *GCC:* With a view to helping the poor and the disadvantaged with access to easy credit, banks have been asked to consider the introduction of a general purpose credit card facility, with a credit of up to 25,000, at their rural and semi-urban branches. The objective of the scheme is to provide hassle-free credit to bank customers based on the assessment of cash flow, without insistence on security, purpose or end use of the credit.
- *Simplified Branch Authorization:* To address the issue of uneven spread of bank branches, in December 2009, domestic scheduled commercial banks were permitted to freely open branches in Tier III to Tier VI centers with a population of less than 50,000 under general permission, subject to reporting. In the north-eastern states and Sikkim, domestic scheduled commercial banks can now open branches in rural, semi-urban, and urban centers without

the need for permission from the RBI in each case, subject to reporting of the opening of branches in unbanked rural centers. To further step up the opening of branches in rural areas so as to improve banking penetration and financial inclusion rapidly, the need for the opening of more bricks-and-mortar branches, besides the use of BCs, was felt.

Present Status of Utilization of the PMJDY Accounts by the Accounts Holders

As many as 20 lakh people have joined the changed Pradhan Mantri Jan Dhan Yojana (PMJDY), taking the whole amount of record holders inside the lead money-related consideration program to 32.61 crores as on September 5, in accordance with account service data. The administration relaunched PMJDY as an open-finished plan with higher inclusion spread and overdraft (OD) facility. The Union Cabinet chose to keep the plan past the four-year span, finishing on August 14, with an expectation to take the conventional financial device from “every family unit to each adult”. During the period 15 August-5 September, the complete stores in the 32.61 PMJDY accounts witnessed a development of Rs. 1,266.43 crores. The security in PMJDY cash owed was Rs. 82,490.98 crores as on 5 September. Under the made-over plan, unintentional protection cowl for new RuPay card holders has been raised from Rs. 1 lakh to Rs. 2 lakh for new PMJDY obligations opened after August 28. Also, the current OD breaking point of Rs. 5,000 has been extended to Rs. 10,000. Further, no circumstances might be appended for OD as much as Rs. 2,000. The records likewise affirmed that almost 7.18 lakh people who opened PMJDY account after August 28 may get the increase of duplicated unintentional inclusion front of Rs. 2 lakh. Propelled in August 2014, the main period of PMJDY focused on opening the principal budgetary foundation obligations and RuPay charge card with in-constructed mishap inclusion front of Rs. 1 lakh. Moreover, it gave Basic Banking Accounts OD office Rs. 5,000 after a half year. Stage II, beginning on August 15, 2018, was planned to give scaled-down assurance to the people and advantageous plans to messy division workers through business correspondents. Around 53 percent of PMJDY account holders are women, while 83 percent of the hard and fast records are seeded with Aadhaar.

Benefits of Financial Inclusion

- It offers the potential for increasing banking business by bringing more customers to banks.
- It seeks to improve the standard of living of a vast majority of the poor population.
- It enhances the number of bankable customers.
- It boosts growth of the banking business.
- It can bridge the urban-rural divide.

Role of Financial Inclusion in Economic Growth in India

The Indian economy has been growing from strength to strength. Today, India is the second fastest-growing economy in the world. India's economy is the third largest in the world in terms of purchasing power parity. The tremendous growth rate has coincided with better all-round performance. Indian entrepreneurs have registered noticeable global presence not only in IT and ITES, and knowledge-based services, but also in world-class manufacturing capabilities, be it steel, aluminum, or refinery. The financial system serves as a catalyst to economic development. The formal financial channels collect savings and idle funds and distribute such funds to entrepreneurs, businesses, households, and government for investment projects and other purposes, with a view of a return. This forms the basis for economic development in the modern economic theory.

Table 1: Progress of Financial Inclusion at a Glance

<i>Parameters of Financial Inclusion</i>	<i>March 2010</i>	<i>March 2016</i>	<i>March 2017</i>
Number of bank branches in villages	33,378	51,830	50,860
Number of business correspondents (BCs)	34,174	531,229	543,472
Number of other forms of banking touch points	142	3,248	3,761
Total number of banking touch points	67,694	586,307	598,093
Number of BSBDA* (in millions)	73	469	533
Deposits in BSBDA (Amount in Rs. billions)	55	636	977

Note: *Basic Savings Bank Deposit Account is a no-frill savings account without the need to maintain minimum balance and where no charges are levied.

Source: Annual Report of RBI, 2016-17.

Table 2: Progress of PMJDY up to 9 May 2018

<i>Group of Banks</i>	<i>Number of New Savings Bank Accounts Opened (in Millions)</i>	<i>Deposits Accumulated (in Rs. Millions)</i>	<i>No of Debit Cards Issued (in Millions)</i>
Public sector banks	255.3	652182.50	192.00
Regional rural banks	50.7	137170.30	36.80
Private sector banks	09.9	22681.30	08.20
Total	316.6	812035.90	238.00

Source: PMJDY Website

Table 3: Progress Report**Pradhan Mantri Jan Dhan Yojana****(All figures in Crore)****Beneficiaries as on 15/01/2020**

<i>Bank Name/Type</i>	<i>No. of Beneficiaries at Rural/Semi-Urban Center Bank Branches</i>	<i>No. of Beneficiaries at Urban Metro Center Bank Branches</i>	<i>No. of Rural-Urban Female Beneficiaries</i>	<i>Total No. of Beneficiaries</i>	<i>Deposits in Accounts (in Crores)</i>	<i>No. of RuPay Debit Cards Issued to Beneficiaries</i>
Public Sector Banks	16.28	13.89	15.92	30.17	88885.11	24.83
Regional Rural Banks	5.25	1.20	3.60	6.45	20115.25	3.84
Private Sector Banks	0.70	0.56	0.67	1.25	3136.20	1.15
Grand Total	22.22	15.64	20.19	37.87	112136.55	29.83

Source: PMJDY

Weaknesses of PMJDY Witnessed in the Implementation of the Scheme

Many instances had been detected, wherein a man or woman has opened multiple accounts in various banks. Budgetary provisions have not been made with the aid of the authorities to provide incentives, as the financial reputation of the banks can be ruined. Insurance agencies have to restore a nominal top class to cowl the danger of the account holders. In case it is not always carried out, the state-owned LIC might also face financial losses. Overdraft facility needs to be properly regulated, as it is in the discretionary power of the banks involved. Many banks may additionally decline to extend the overdraft facility, consequently defeating the purpose. Business correspondents, if made to accomplish the objective, might also misuse their authority, thereby making the life of people below the poverty line miserable.

Reasons for Low Financial Inclusion in India

- Most people, especially in the lower income groups, find it inconvenient to understand different product offerings, financial jargon, and related terms and conditions.

- Illiteracy and low-income savings, and lack of bank branches in rural areas, continue to be a roadblock to financial inclusion.
- Households also lack an avenue to receive credible, low-cost, and high-quality financial advice.
- Weak community network.

Inadequate Legal and Financial Structure

Financial inclusion of the unbanked masses is a critical step that requires political will and bureaucratic support. Financial inclusion will be a good initiative toward achieving growth and prosperity.

Conclusion

In India, many people do not have access to a range of financial services. The government has taken steps to address this. Progress has been made in the opening of bank accounts, provision of payment services, and the ability to receive government benefits directly into one's account. Most people, however, are still unable to access credit. Less than 10% of Indians are able to get a loan from

a bank. At NIRA, (a finance company whose mission is to bring access to credit to millions of under-served Indians) they are attempting to address the issue of credit access. In particular, they are aiming to serve customers that are unable to get a loan from a bank. Unlike banks, they do not require a user to have a CIBIL score or give collateral against a loan. Banks also exclude the majority of Indians by setting the minimum size of a personal loan at Rs. 1 lakh. The majority of the population requires smaller amounts. NIRA is able to offer loans as small as Rs. 5,000, thereby giving access to credit to many more people.

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