International Journal of Applied Research 2016; 2(5): 1144-1147

ISSN Print: 2394-7500
ISSN Online: 2394-5869
Impact Factor: 5.2
IJAR 2016; 2(5): 1144-1147
www.allresearchjournal.com
Received: 05-04-2016
Accepted: 28-04-2016

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Jan Dhan Yojana: A instrument for financial inclusion: The journey so far

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Abstract
To achieve sustainable growth, Financial Inclusion is being talked as the major and primary step towards achieving seventeen goals laid down by United Nations for achieving Sustainable Development. Financial Inclusion is the only medium to bring larger and underprivileged strata of society into the mainstream banking system, thus providing them access to financial services. In India, till a few years back, having a savings bank account was a big thing. There used to be a single bank account per household and that too in the name of male member. In urban areas, still people had bank accounts but in rural areas, majority people did not had a bank account. For their banking needs, be it deposit or loan they approached local money lender. Clearly, the fundamental step in achieving the financial inclusion is bringing majority of population under banking net. The paper explores country's journey through the road called Financial Inclusion, the existing standing of financial services coverage in India and the challenges that needs to be overcome to achieve complete Financial Inclusion. The study concludes that India has come a long way towards achieving financial inclusion but given the diverse demographic structure, large rural population, inherent tendency of people to deal in cash, less orientation towards using technology and technological problems requires lot of sincere and dedicated effort to achieve complete financial Inclusion.

Keywords: Jan Dhan Yojana, financial inclusion

1. Introduction

RBI defines Financial Inclusion as "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." (RBI, 2008)

Thus, comprehensive financial coverage means providing the following:

- Guaranteeing access to all not only to banking services but also to insurance and other welfare schemes.
- Protecting the interest of weaker sections, farmers and rural population by providing them credit at reasonable rates and thus saving them from greedy money lenders.
- Providing opportunity to people to park their savings with the bank and earn a reasonable rate of interest. The money so deposited can further be used for growth of the economy.
- Enabling the government to directly transfer the benefits and subsidies to the beneficiaries thereby eliminating the intermediaries.

With all these benefits, Financial Inclusion is expected to lead to Inclusive Growth by enabling equitable and just development.

1.1 Review of Literature

RBI (2005) proposed that financial inclusion should be broad based catering to rural unbanked population. Real financial inclusion involves having alteast one savings account for every Indian citizen.

GOI (2008) evaluated how financial inclusion can be used as a delivery mechanism to extend the benefit of financial services to the disadvantageous and financially not so well strata of society. It proposed that financial services should be accessible to all without any discrimination. The report further reiterated that financial services means mainstream financial services like availability of credit to all sections of the society.

CRISIL (2013) launched financial inclusion index in 2013. CRISIL use three factors *viz*: deposit, credit and branch penetration to assess the extent of financial inclusion. It has also added micro finance institutions dimension to existing parameters. CRISIL also releases inclusion data state wise. The report made a startling revelation that only one in two Indians has a bank account and banking credit is available to only one in seven Indians.

1.2 Objectives of the Study

i. To understand the evolution of Financial Inclusion in India;
ii. To understand the current status of Financial Inclusion in India and
iii. To understand the challenges that are supposed to be addressed to achieve comprehensive Financial Inclusion.

1.3 Research Methodology

The paper primarily uses secondary data. Various reports of RBI, websites of Pradhan Mantri Jan Dhan Yojana, CRISIL and various other published articles have been referred to.

1.4 Evolution of Financial Inclusion in India

RBI made the first move with regard to financial inclusion with the nationalisation of the banks. All the Banks except State Bank of India were under private control. To instill the confidence and to encourage people not only in urban areas but also in rural areas, Government of India started the nationalisation of banks in 1969 and by 1980 almost all big banks controlling around 91% of banking business in India were nationalised.

In early 1970's more emphasis was begin to be given to priority sector lending. To encourage and promote priority lending regional rural banks self-help group-bank linkage programme were started. National Bank for Agriculture and Rural Development (NABARD) was also formed in 1982 to cater to credit and other banking requirements of farmers and other people in rural areas.

To further augment the physical structure and to make up for the absence of requisite physical infrastructure, focus was diverted towards bringing technological updating and advancement. ATMs, mobile banking, digital payments by use of debit cards and credit cards, electronic fund transfer further enhanced the banking reach in India. But given the peculiar characteristics of Indian marginalised segment like poverty, illiteracy, computer illiteracy, fear of approaching the bank, apprehension of not able to open and manage a bank account still make them approach local money lenders for credit needs.

As per Census 2011, "only 58.7% of total households in India and only 54.4% households in rural areas had access to formal banking services. The data also revealed that only 24.4 million farmer households (27.3%), out of a total of 89.3 million households had access to credit from institutional sources. In other words, nearly 73% of farm households did not have access to formal credit sources". (GOI, 2011)

1.5 Jan Dhan Yojana: An Instrument to Achieve Financial Inclusion

To realise comprehensive financial coverage greatest measure that have been taken in recent times was the unveiling of Pradhan Mantri Jan Dhan Yojana in 2014. The Scheme is intended to bring people who don't have access to banking services into formal banking system. These people were mainly those who were in dire need of financial support. In the absence of formal banking support they relied on local money lenders and other torts. Bank accounts for the poor is the only way to provide them financial services and to ensure direct transfer of welfare benefits without these being drained off by the intermediaries. It was regarded as world's biggest financial inclusion drive, with it even featuring in the Guinness Book of Records.

The Jan Dhan Yojana scheme has the following attributes:

- Interest is received on deposits;
- It is a no frills account;
- Overdraft facility of ₹ 5,000 is allowed under every Jan Dhan account provided it is Aadhar linked and has been satisfactorily operated for alteast 6 months. However, no condition is attached for an overdraft up to the amount of ₹2000.
- Accident cover of ₹1,00000 is provided to Rupay cardholders of these accounts;
- These account also can be used for receiving direct benefit transfer.

An unprecedented number of Jan Dhan accounts have been opened under the scheme since 2014. As on 30th March 2016 there were more than 21 crore new Jan Dhan account holders. Not only the accounts but there has been remarkable increase in the number of Rupay card issued to these account holders which now stands more than 17 crores.

Table 1.1: Performance of Pradhan Mantri Jan Dhan Yojana as on 31st Jan 2015

S. No	Type of Bank	Savings Accounts in Rural/Semiurban areas (in numbers)	Savings Accounts in Urban areas (in numbers)	Number of Total Account holders	Deposits in Accounts (In lac)	Rupay Debit Cards (in numbers)
1	Public Sector Banks	53300249	45147276	98447525	817463.04	91232024
2	Regional Rural Banks	18489448	3297833	21787281	159948.08	14967614
3	Private Banks	3226397	2012086	5238483	72551.50	4593161
4	Grand Total	75016094	50457195	125473289	1049962.62	110792799

Source: https://pmjdy.gov.in/Archive

Table 1.2: Performance of Pradhan Mantri Jan Dhan Yojana as on 30th March 2016

S. No	Type of Bank	Savings Accounts in Rural/Semiurban areas (in numbers)	Savings Accounts in Urban areas (in numbers)	Number of Total Account holders	Deposits in Accounts (In lac)	Rupay Debit Cards (in numbers)
1.	Public Sector Banks	94292464	74165273	168457737	2813916.93	143155970
2.	Regional Rural Banks	32571057	5357511	37928568	617811.88	26935193
3.	Private Sector Banks	4843513	3045656	7889169	135471.91	7438509
4.	Grand Total	131707034	82568440	214275474	3567200.72	177529672

Source: https://pmjdy.gov.in/Archive

As can be seen from the above table, there is significant surge in the deposits in March 2016 as compared to compared Jan 2015. For the first time many were brought under the ambit of formal banking. Between 2014 to 2016, more than twice the number of banks accounts were opened and the surge is attributed to Jan Dhan Yojana Scheme. RuPay card holders also increased to 17.7 crore. Growth has been unprecedent. Major initiative had been undertaken by the public sector banks with State Bank of India being the pioneer by opening more than 5 crore accounts, next came in line Bank of Baroda with 1.2 crore accounts.

1.6 Current Status of Financial Inclusion in India

Pradhan Mantri Jan Dhan yojana resulted in a spurt in growth of savings bank account holders and but significant number of bank accounts are inoperative. Further, financial inclusion means more than opening a bank account. Bank account is the window through which they can avail other financial benefits like credit assistance and other financial services. The limited data available in this regard show that although because there has been increase in number of bank accounts but still a majority of them don't have access to credit facility of banks. Overdraft facility available with Jan Dhan account has benefitted only a few. Also the access to banking services in rural areas is still very limited. Further it came to knowledge that to achieve the targets set by the government banks, particularly public sector banks opened many bogus accounts and also converted many of pre-existing savings accounts to Jan Dhan Accounts. Out of all total Jan Dhan Account opened 10% are estimated to be fake and only 90% are only genuine.

1.7 Progress of Financial Inclusion can further be quantified through CRISIL Inclusix

CRISIL launched the first financial Inclusion Index in 2013 to provide value inputs on the extent and progress of financial Inclusion in the country. It is based on three dimensions—branch penetration, deposit penetration and credit penetration. CRISIL Inclusix evaluates the extent of financial coverage for each of the 652 districts in the country, and primarily uses the data provided by RBI and Micro Finance Institutions. CRISIL index for 2013 reflected that financial inclusion has achieved remarkable progress. While the Inclusix score has improved to 50.1 in 2013 out of 100, nevertheless it still reflects that almost half of the population does not have access to bare minimum banking facilities. To ensure comprehensive financial inclusion Pradhan Mantri Jan-Dhan Yojana was launched in 2014 to facilitate access to financial services to all strata's of society. The scheme is hailed as having significant potential and is expected to increase CRISIL score of 2015 by nearly 2 points. The Pradhan Mantri Jan Dhan Yojana, along with Reserve Bank's strategic effort has made a big difference as far as bringing a larger population into the banking umbrella. Between 2013 and 2016 nearly 60 crore deposit accounts were opened which is twice the number between 2010 and 2013. Out of these almost one third were Jan Dhan accounts.

1.8 Road Ahead

1. In India illiteracy rate is still very high. So people find it difficult to operate their bank account. To overcome this problem banks devised biometric access to the account. Despite biometric access AADHAR number still has to be punched which required the account holder to enter the numerals which are again in English. In that case account holder has to take help of someone. Further the messages received from bank are again in English which a local account holder might find difficult to comprehend. Again he will have to take help. In both the cases the privacy is breached. This makes the elderly and women in rural areas quite vulnerable. This goes against the active usage of the Jan Dhan account.
2. A very large part of the workforce is under informal sector, like casual labour, small businesses, workers in small businesses, support staff working in urban homes, labourers in farms in rural area. These people get a very meagre wage and that too in cash. Though they may have a bank account now, but they rarely use it. They get the cash from the employer and spend it. They are not in habit of going to bank for any of their needs. They may have a bank account but they still go to local money lenders for their loan needs. This cycle can be broken only by bringing them into the formal sector. Once in the formal sector, their wages get rooted through bank accounts. Only then comprehensive and meaningful financial inclusion can be achieved. The inoperative bank accounts highlights that financial inclusion cannot be achieved by merely opening an bank account or technological upgradation.
3. As indicated by CRISIL Inclusix, there is a scope for credit and branch penetration. Though deposit penetration has increased, credit penetration has not increased accordingly.
4. Usage of the technological innovations require enhancing financial literacy across society. Financial literacy has to reach all age groups and all strata's of society. Though it is easier for younger population to adapt to new technology, special literacy programmes must be organised for adults and computer illiterate sections of society. A financially literate society makes the job of financial inclusion that much easier.
5. Finally, to assess the progress regarding Financial Inclusion, responsibility must be assigned to a dedicated financial institution.

1.9 Conclusion

To conclude, India has kickstarted the inclusion path by enhancing the banking reach, creating infrastructure and upgrading the technology. The future requires more concentrated and dedicated effort not only on the part of government, financial services providers, economic regulators but also the general public.

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