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FINANCIAL INCLUSION IN INDIA WITH SPECIAL REFERENCE TO JAN DHAN YOJANA

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Abstract

Financial inclusion is a priority of any government to achieve inclusive growth of the country for sustainable economic development. Financial inclusion is nothing but inclusion of financially excluded segment of the society into formal financial system of the economy. The efforts for financial inclusion is not new in India the RBI and GOI had taken many initiatives like Nationalization of banks, expansion of banks and its branches, establishment of cooperative banks regional rural bank etc. various initiatives were taken up. Despite various measures for financial inclusion poverty and exclusion continues to dominate Indian economy even after six decades of its independence. But the GOI and RBI has not given up its efforts towards complete financial inclusion. One of the important initiatives taken by Modi Government towards comprehensive financial inclusion is Pradhan mantri Jan Dhan Yojana (PMJDY). The scheme was launched with a target to provide universal access to banking facilities starting with basic banking account, with overdraft facility and Rupay debit card

within built accident insurance. The study mainly concentrated towards global insights for financial inclusion, India's present status of financial inclusion and PMJDY contribution towards reviving financial inclusion in India.

Key words: Financial inclusion, Pradhan Mantri Jan -Dhan Yojana, Zero Balance accounts, Rupay Debit Card. Bank Mitr

I Introduction to Financial inclusion

Financial inclusion is a priority of any government to achieve inclusive growth of the country for sustainable economic development. Financial inclusion is a process of ensuring accessibility, availability and usage of the formal financial system for all members of the economy. In other words financial inclusion is nothing but inclusion of financially excluded segment of the society into formal financial system of the economy. According to K.C.Chakrabarthy Deputy Governor RBI "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 fair and transparent manner by main stream institutional players." The main objective of financial inclusion is to deliver financial services at an affordable cost to vast section of unbanked, disadvantaged and low income groups of the society so that they can improve their living standards, which leads to general economic development and growth

II Global insights to financial inclusion

Financial inclusion is recognized world over as a key path towards economic growth and poverty alleviation. The review of empirical literature by World Bank research group (2008) suggests that the lack of access to finance is a critical factor responsible for persistent income inequality as well as slower growth. Financial development creates enabling conditions for growth through either a 'supply-leading' (financial development spurs growth) or a 'demand-following' (growth generates demand for financial products) channel. Thus, financial inclusion as a policy has been adopted by many countries to spur growth.

Table 1: Financial inclusion: India's position compared with other countries

Country	Number of Branches	Number of ATMS	Bank Credit	Bank deposits

	(per 0.1 million adults)		(as percent of GDP)	
India	10.91	5.44	43.62*	60.11*
Australia	11.81	48.16	35.26	32.57
Brazil	13.76	120.62	29.04	47.51
France	43.11	110.07	56.03	39.15
Mexico	15.22	47.28	16.19	20.91
UK	25.51	64.58	467.97	427.49
US	35.74	173.75*	46.04	53.14
Korea	18.63	250.29*	84.17	74.51
Philippines	7.69	14.88	27.57	53.02

Source: - World Bank, Financial Access Survey

Note: Data pertains to 2010. For rows/cells indicated as *, data pertains to 2009

The above table summarizes the financial inclusion of India in comparison with other countries. The number of Bank branches per 100000 adults was 11 in India which is the second lowest among other countries. The highest number of branches was 36 in US followed by 26 in UK .The lowest number of branches was 8 in Philippines. Among ATMs numbers Korea stands first with 250 per one lakh adults, followed by 174 of US and India has lest number of ATMS of 5 per 0.1 million adults. The bank credit with respect to GDP is highest in UK which is 468 %.India is having 44% of bank credit with respect to GDP. This is lowest in Mexico which is 16%. Bank deposit percent to GDP is highest in UK which is a 427% deposit to GDP. In India it is 60% and it is lowest in again Mexico which is 21%. India is lagging behind most of all other countries in respect to financial inclusion and there are a lot of untapped opportunities available in India for inclusion.

Table 2: Household debt to GDP as percentage

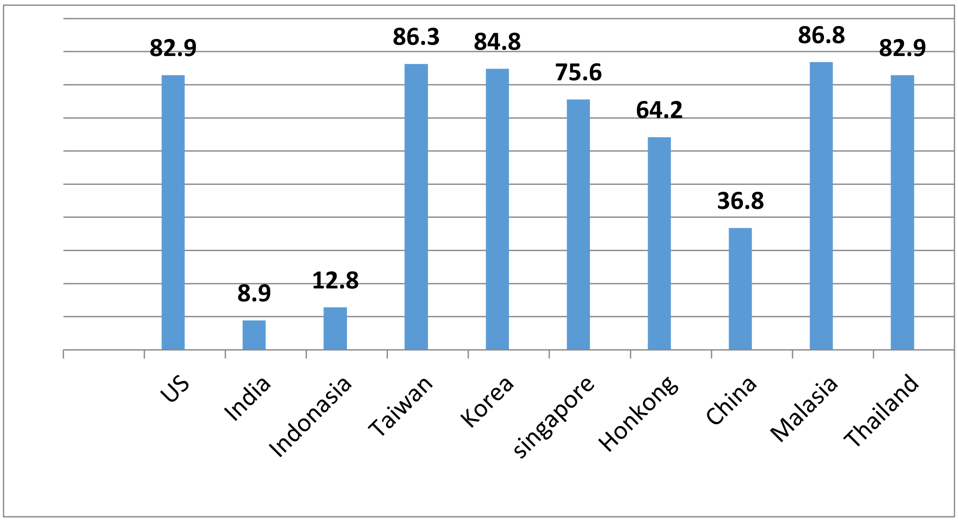
Country	**Household Debt to GDP %**
US	82.9
India	8.9
Indonasia	12.8
Taiwan	86.3
Korea	84.8
singapore	75.6

Honkong	64.2
China	36.8
Malasia	86.8
Thailand	82.9

Source: Citi research

Note: data is for first quarter of 2014 except US, India, Malaysia and Taiwan which is for 2012-13.

Figure1: Household debt to GDP as percentage



The above table and graph gives a clear picture about the percentage of household's debt to GDP of the countries. Compared to other countries Indian households are using very less formal source of debt facilities which is 9% in comparison with its GDP growth rate. Most of them have stayed away from the main formal source of finance given by banks. Malaysian households are using debt to the extent of 87% and most of other countries fall between the ranges of 60 to 90%. In spite of taking various initiatives the major part of Indian households are financially excluded.

Table 3: Financial inclusion of SAARC member countries

variable	Afghanistan	India	Bangladesh	Pakistan	Nepal	Srilanka
Bank Branches per 100000 population	2	10.11	5.16	8.68	4.1	9.05

Bank Branches per 1000 km	0.49	26.46	43.14	11.73	5.26	21.38
Loan account per 1000 adults	3.32	89.03	54.73	21.93	…..	….
Deposit account per 1000 adults	83.85	467.4	228.75	119.84	229.49	1891.74
ATM per 100000 population	0.39	7.29	….	4.06	1.81	12.29
ATM per 1000 km	0.09	19.08	….	5.49	2.27	29.03

Source: Compiled from Financial Access 2010, www.cgap.org/financialindicators

The above table gives bird's eye view about the financial inclusion of SAARC member countries. We can observe a wide variation among these countries in terms of financial inclusion. The deposit accounts per 1000 population varied from 83 in Afghanistan to 1892 in Srilanka. Similarly with respect to Loan account penetration it varied from 3 in Afghanistan to 89 in India. The ATM per 1000 km and ATM per 100000 populations was least in Afghanistan which is 0.09 and 0.39 respectively and highest is in Srilanka that is 29 and 12 respectively. India is having highest Loan accounts per 1000 adults and Bank branches per one lakh population with respect to other SAARC members. With regard to financial inclusion in SAARC member countries there is a huge gap between the demand for financial services from the unreached and low income households and its supply from the formal sources.

III India is still limping

The effort to include the financially excluded segment of the society in to the formal financial system in India is not new. The Reserve Bank of India and Government of India together has taken many initiatives to bring them into the main stream of financial inclusion.

The current status of financial inclusion in India is as follows.

2005: The concept of financial inclusion first mooted by RBI in 2005. RBI in its midterm review of annual policy statements had advised all banks to align their policies with the ultimate objective of financial inclusion .banks were advised to make available "No frill accounts" with nil or very minimum balances as well as charges for vast section of population and also to extend financial services to rural and poor sections of the society.

2006: In 2006 RBI has introduced Branchless banking model through Banking agents called Bank Mitr (Business correspondents/Business facilitator) where in the banks can make use of the services of NGOs, SHGs, MFIs and other civil society organizations and intermediaries for providing financial and banking services such as opening of bank accounts, cash deposits, and withdrawals, transfer of funds, balance enquiries, mini statements etc

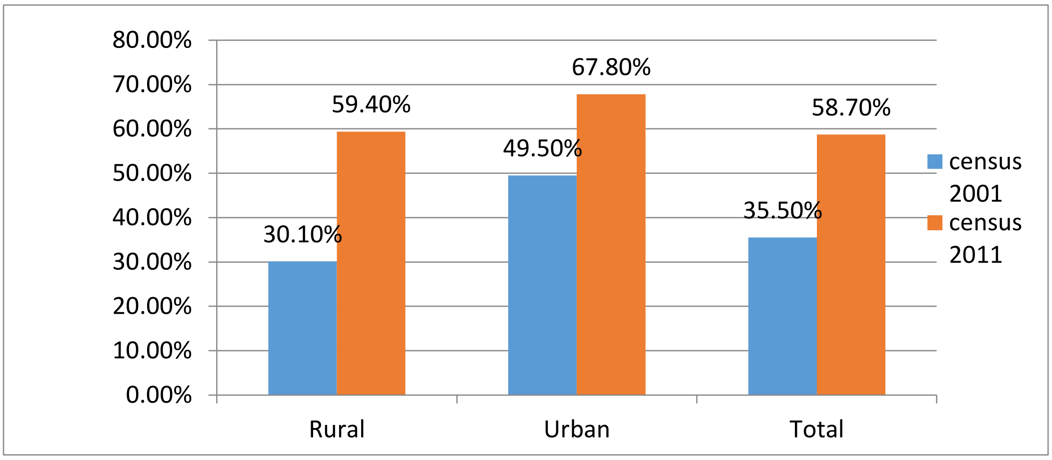
2011: In the year 2011 "swabhimaan campaign" was introduced in association with business correspondents to cover villages with population more than 2000 with banking facilities. Under this campaign the Bank mitr (Business correspondents) had taken leading role and they used to visit villages on fixed days and they covered 74351 villages and were successful in opening large number of accounts. But this campaign was able to create only limited impact and reach because of the reasons such as it covered only rural villages with population of two thousand and above, business correspondents used to visit villages only on certain days, no use of internet and mobile banking, very cumbersome KYC formalities, they focused on only account opening and many of these accounts remained dormant, no interoperability of accounts, no proper guidelines for remuneration of Bank Mitr , many of the bank correspondents were un traceable, no active involvement of states or districts ,monitoring left to banks, no credit facility and grievance redressal system, did not concentrated towards creating financial literacy and no brand visibility for the campaign and Bank Mitr.

Table 4: Availability of banking services in India

Census	Rural	Urban	Total
Census 2001	30.10%	49.50%	35.50%
Census 2011	59.40%	67.80%	58.70%

Source: Adopted from PMJDY progress report .www.pmjdy.gov.in

Figure2: Availability of Banking Services in India



A comparison is made between census data of banking services between 2001 and 2011. Only 35.5% of households had access to banking services in 2001 and it has increased to 58.7% in 2011.

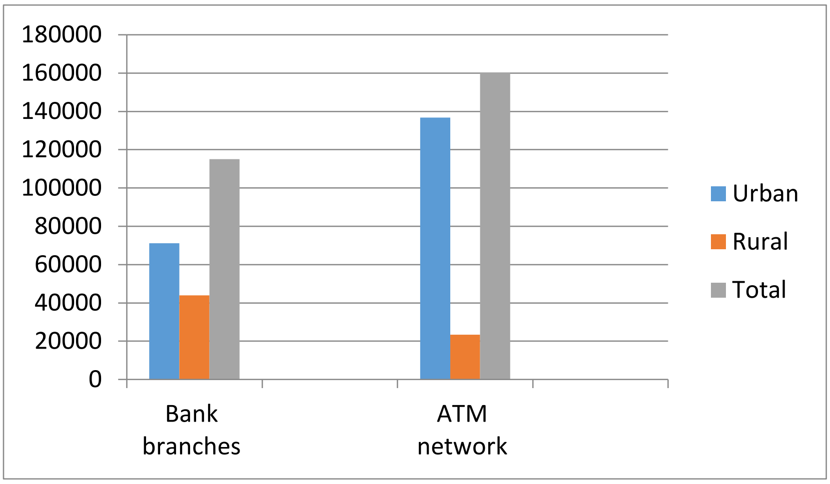
2014: There were more than 1.4 lakh business correspondents of public and RRB's in rural areas. As on 31-3-2014 the total banking network of the country consists of

Table: 5 banking network of India as on 31-3-2014

	Bank branches		ATM network	
Area	Total	%	Total	%
Urban	71120	61.8	136721	85.42
Rural	43962	38.2	23334	14.58
Total	115082	100	160055	100

Source: Adopted from PMJDY progress report .www.pmjdy.gov.in

Figure3: Banking network of India as on 31-3-2014



The present network of the Banks in the country as on 31-3-2014 consists of total 115082 branches and 43962 branches were in rural area. 61.8% of banks were concentrated in urban area and 38.2% in rural areas. Out of 160055 ATM network 85.425 were in urban and only 14.58% was in rural. There is a wide range of regional disparity in distribution of banking services.

IV Pradhan Manthri Jhan dhan Yojana

Despite various measures taken by RBI and GOI towards financial inclusion poverty and financial exclusion continues to dominate the socio economic and political discourse in India even after six decades if independence. But the GOVT and RBI didn't stop their efforts towards 100% financial inclusion. An important step taken towards this is Pradhan Manthri Jan Dhan Yojana. Honorable Prime Minister of India Sri.Narendra Modi announced this national mission for financial inclusion on his first Independence Day speech on 15th august 2014. The scheme was formally launched on 28th august 2014.

Objective of "Pradhan Mantri Jan-Dhan Yojana (PMJDY)" is ensuring access to various financial services like availability of basic savings bank account, access to need based credit, remittances facility, insurance and pension to the excluded sections i.e. weaker sections & low income groups. This deep penetration at affordable cost is possible only with effective use of technology. (PMJDY official website www.pmjdy.guv.in). PMJDY stated with an ambition to cover 7.5 crore unbanked households in the country by January 26, 2015.PMJDY's main focus is towards creating awareness regarding account opening among all households in rural as well as urban areas and creation of financial literacy.

Special benefits under PMJDY

- Bank accounts can be opened by any bank branches or business correspondent. It's a zero balance account and no minimum balance required to be maintained.
- The deposit holders will get interest on their deposits.
- Overdraft facility up to Rs 5000 will be provided to one account per household (preferably to lady of the household) after satisfactory operation of the account for six months.
- Providing Rupee debit card with inbuilt accidental insurance coverage up to Rs 100000.
- The scheme offers life insurance coverage of Rs 30000 payable on death of beneficiary subject to fulfillment of eligibility conditions.
- The direct transfer of funds to these accounts of beneficiaries under different government schemes.
- Account holder can easily transfer their funds across India.
- Access to pension and insurance products.

Phases of PMJDY

The yojana is planned to implement in two time phases.

Phase I (15 Aug, 2014 - 14 Aug, 2015)

- Covering all households with at least one basic bank account and Rupay debit card with inbuilt accidental insurance coverage of Rs 1 lakh and an overdraft facility up to Rs. 5000 after the satisfactory operation of the account for 6 months.
- Aadhaar number will be seeded to make the account ready for direct transfer of benefits under different GOVT schemes to these accounts of the beneficiary.
- Financial Literacy program to create awareness among rural population regarding financial services and its benefits.

Phase II (15 Aug, 2015 - 14 Aug, 2018)

- Creation of credit guarantee fund with to provide guarantee against defaulters in OD in basic bank accounts.
- Issuance of Micro insurance to people
- Implementation of unorganized pension scheme “swavalamban’.

Implementation of PMJDY

1. Expansion of Banking Network: - an important pillar of PMJDY is the expansion of Banking Network of the country to reach out the financially excluded segment of the population. The main constraint for opening fully fledged branches in rural areas is staff constraint. The mapping of Sub service area (SSA) and deployment of Bank mitr are adopted to overcome the staff constraint.

2. Swabhimaan villages:- in 2011-12 under swabhimaan campaign around 74000 villages with population of above 2000 were covered with banking facilities and looking at the viability of these centers the GOVT is planning to set up Brick and mortar branches with minimum strength of 1+1 or 1+2 in 74351 villages.

3. Mapping sub service area:- under PMJDY all 6 lakh villages across the country are to be mapped and covered by at least one fixed point banking outlet catering to 1000 to 1500 households called sub service area (SSA).

4.Bank Mitr (Business correspondents):- individuals like employed youth, retired teachers, retired bank employees, retired GOVT/Military personnel, etc and entities like kiran shos, PDS, NGOs MFI, SHGs etc are allowed by RBI for engaging as Bank Mitr. The bank mitr will have a dress code like Jacket, cap and bag. The Bank Mitr will act as representatives of Banks to provide basic banking facilities. Regular and timely payments to Bank Mitr for their service are considered very important under the scheme.

5. Mobile banking: - Mobile banking facility was provided under the yojana by creation of Mobile and Aadhaar linked accounts. The basic financial transactions like money transfer, bill payments, cash withdrawals etc are executed through a mobile based PIN system.

6. Financial Literacy and Credit counseling (FLCC):- creation of financial literacy i.e creating awareness among general public about financial services available, savings, credit etc is one of the main objective of the yojana. Financial literacy is created through establishment of financial literacy centers, credit counseling through awareness camps, seminars, lectures etc.

7. Micro insurance: - an important pillar of PMJDY is Micro insurance to economically weaker sections of society. Micro insurance policy can be a general or life insurance policy with a sum assured of Rs 50000 or less. A general micro insurance could be health insurance or covering

belongings such as hut, live stock, tools, and instruments etc. it can be personal insurance coverage also. It can be individual or group insurance.

Table 6: Pradhan Mantri Jan-Dhan Yojana progress as on 22.1.2020

(All figures in crores)

Bank Name	Number of Beneficiaries in Rural Areas	Number of Beneficiaries in Urban areas	Total Number of Beneficiaries	Deposits in Accounts	Number of Rupay Debit Cards issued
Public Sector Bank	16.3	13.9	30.2	89,065.48	24.87
Regional Rural Bank	5.25	1.24	6.49	20,639.53	3.84
Private Banks	0.7	0.56	1.25	3,109.84	1.15
Total	22.25	15.7	37.95	1,12,814.85	29.86

Source: http://www.pmjdy.gov.in/account-statistics-country.aspx

The total number of accounts opened under PMJDY is 37.95 crores as on 22nd January 2020. It includes 22.25 crores rural accounts and 15.70 crores urban accounts. Around 29.86 crores Rupay debit cards were issued to the account holders. The accounts were able to accumulate a total deposit of 112814.85 crores.

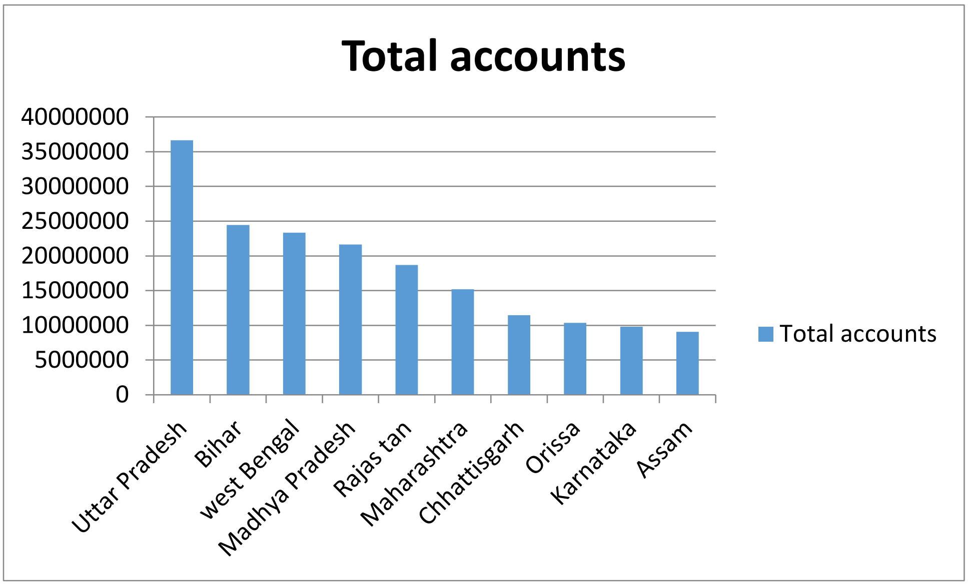
Table7: State wise highest account opening and deposit mobilization status

State	Total accounts	Deposits(in crores)
Uttar Pradesh	36671118	7052.01
Bihar	24459133	3376.24
west Bengal	23329286	5901.72
Madhya Pradesh	21616534	1943.44
Rajas tan	18680030	3464.15

Maharashtra	15197840	2381.77
Chhattisgarh	11474579	1382.5
Orissa	10337119	1923.11
Karnataka	9780178	1421.98
Assam	9040087	1696.89

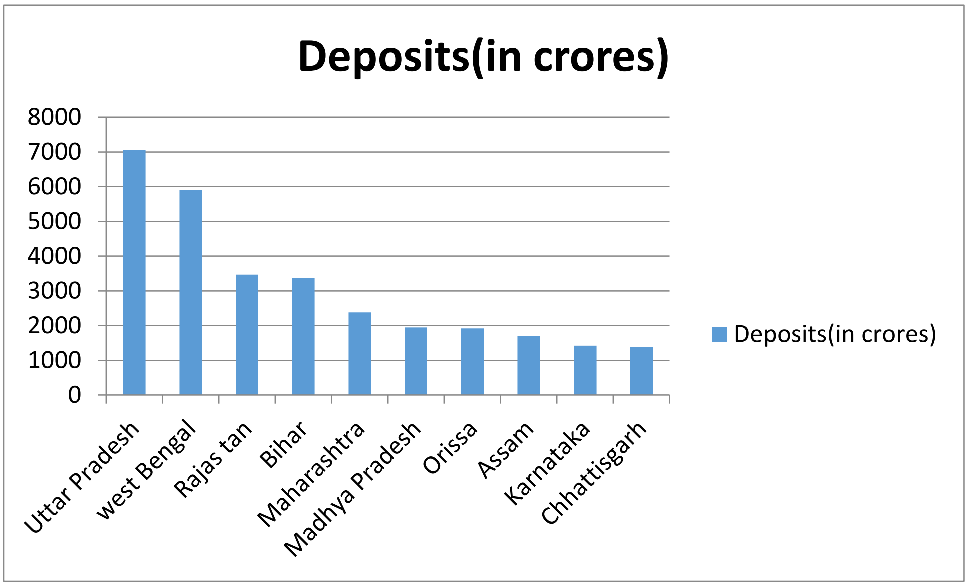
Source: Adapted from PMJDY official website www.pmjdy.guv.in

Figure 4: Total accounts opened under PMJDY state wise



Among different states of India Uttar Pradesh had opened maximum number of accounts of Jan-Dhan around 3.7 crores, the second highest number of accounts opened in the state of Bihar it is around 2,5 crores ,the third place is west Bengal with around 2.3 crore accounts. Karnataka state also took a place in highest account opening states with its contribution of 97 lakh accounts.

Figure 5: Total Deposits under PMJDY state wise



Among deposit mobilization the highest contribution is again from Uttar Pradesh state with around 7052 crore, it is followed by the West Bengal state with around 5901 crores and the third highest deposits are collected from state of Rajastan with around 3464 crores. The Karnataka state has mobilized around 1492 crores deposits in Jan-Dhan accounts.

Conclusion

India is the world's largest democracy, seventh largest country and tenth among all nations in terms of GDP. Even though India is showing all signs of growth and developments still larger part of its population is below poverty line. Financial inclusion is a priority of Indian government to achieve inclusive growth and sustainable economic development. Financial inclusion is needed for providing banking facilities to unbanked people to inculcate the habit of savings among vast sections of the society and which also lead to capital formation of economy and provide access to formal source of credit avenues. Financial inclusion is considered very much vital to fill the gap between subsidies and welfare programs through direct benefit transfer (DBT) where the cash will be transferred directly to the bank account where the real beneficiaries will enjoy the fruit of welfare measures.

By comparison of India's financial inclusion with other countries it's found that India is still limping and there is still a long way towards achieving the goal of 100 % inclusion and poverty alleviation .The countries like US,UK and France have achieved greater degree of financial inclusion compared to India with respect to bank accounts, ATMs, deposits and credits. If we compare the household debt to GDP of different countries India's percentage is just 8% where as in other countries like US, Singapore, Malaysia, Korea etc it has been around 80% of household debt to GDP which is a clear indication that most of the Indian households are financially excluded and they are not making use of the formal source of debt. A comparison is made between financial inclusions of SAARC members .India's position is satisfactory compared to other members. India has the more number of bank branches per 100000 population and loan accounts in comparison to other members. The deposit accounts and ATMs were highest in Srilanka compared to other SAARC members. Bank branches per 1000 km was highest in Bangladesh. Afghanistan stood last among all other SAARC member countries in terms of all parameters of financial inclusion.

The effort to include the financially excluded segment of the society in to the formal financial system in India is not new. The Reserve Bank of India and Government of India together has taken many like no frill accounts, Bank Mitr, swabhimaan campaign etc. But the major mile stone in the history of India's financial inclusion is Pradhan Mantri Jan-dhan yojana which has really created a revolution in the India's financial inclusion by opening 37.95 crores accounts, Rs112814.85crore deposits. The Guinness world record has recognized the achievement made under PMJDY. Among the total number of accounts opened under the scheme the public sector banks performed better than regional rural banks and private banks.

Under the PMJDY scheme Bank accounts can be opened by any bank branches or business correspondent and it's a zero balance account and no minimum balance required to be maintained, Overdraft facility up to Rs 5000 will be provided to one account per household after effective operation of account for 6 months, Rupay debit card with inbuilt accidental insurance coverage will be issued, The scheme also facilitated the issue of Jeevan Jyothi Bhima policies, Suraksha bhima policies .Swavalamban pension scheme and Atal pension schemes. The direct benefit transfer (DBT) is becoming possible with Jan-dan accounts which are linked with Aadaar numbers and east transfer of funds across India is happening because of Jan dan accounts. under this scheme around 6 lakh villages were banked with Sub service area approach, Mobile banking facility was provided like money transfer, bill payments, cash withdrawals etc are executed through a mobile based PIN system, Financial literacy is created through establishment of financial literacy centers, credit counseling through awareness camps, seminars, lectures etc. The PMJDY achievement is not over its still on towards achievement of complete era diction of financial exclusion in India.

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