FINANCIAL INCLUSION IN PMJDY: PERFORMANCE OF KARNATAKA

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***Abstract*—India has taken numerous steps towards financial inclusion with an objective to provide banking services at an affordable cost to the weaker section of the society financial inclusion has been a buzzword for the policy makers and governments for a long time. Attempts have been made by the policy makers and financial institutions to bring large sections of the rural population within the banking system having realized that financial inclusion is the essence of sustainable economic growth and development in a country like India. Inclusive growth becomes impossible without financial inclusion. Financial inclusion is also must for the economic development of the country.Financial inclusion has gained a highest place in the mind of people these days because it is the delivery of financial services to various vulnerable groups with the affordable cost. It enables the various techniques to promote the banking habits in the various sections of the society. The launch of Pradhan Mantri Jan Dhan Yojana (PMJDY) is the scheme working in this section. The scheme is not only limited to the account opening but also has other benefits like Zero balance account with Rupay Card and the accidental insurance. This paper is an attempt to understand the financial inclusion, the progress and role of banking system under implementation of PMJDY scheme in Karnataka.**

***Keywords*— Financial inclusion, PMJDY, socio-economic development, banking system**

I. INTRODUCTION

"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'- **Dr. C. Rangarajan.**

Population census 2011 highlights that a sizable population both in rural and urban was financially excluded, highlighting limited success or achievement of existing financial inclusion programmes for the poor people. The previous schemes focused on reaching the village through business correspondents, technology enabled banking etc.Pradhan Mantri Jan Dhan Yojana (PMJDY) concentrates a 'one house one account'. PMJDY drive launched on 28th August 2015 has given a new hope of life to the poor by providing better banking services. PMJDY facilitated by banks has been opening more than 12.5 crores bank accounts which is a Guinness Book World Record (Ministry of Finance, 2015).

II. PRADHAN MANTRI JAN DHAN YOJANA (PMJDY)

An overview PMJDY is the flagship financial inclusion plan of the National Democratic Alliance Government, which was launched by our Honourable Prime Minister on 28th August 2014. Jan Dhan Yojana in English is nothing but "People's Wealth Scheme". The slogan for the Pradhan Mantri Jan Dhan Yojana is "Mera Khatha-Bhagya Vidhatha"; it is "My Bank Account- The creator of the good Fortune". After measuring low levels of bank penetration in Indian rural areas, the Ministry of Finance rolled out this scheme to enable each household in the country to have access to at least one basic bank account. PMJDY also come up with additional features compared to earlier financial inclusion schemes, like minors above 10 years can open the account, issue of RuPay debit cards for the account holder to withdraw cash, thereby liquidizing loan funds to encourage entrepreneurship. Even, after 6 month of satisfactory transaction of the account, any household can avail Rs. 5,000 overdraft facility and interest will be charged at base plus 2% or 12% whichever is lower, account can be transferred in case customer relocates. It also provides accidental insurance of Rs. 1, 00,000 and life insurance of Rs. 30,000 without premium. Financial inclusion should not only serve the purpose of providing credit but it should also ensure services like saving, insurance and other facilities. All the activities can be achieved through either by advice by bank officials or by promoting literacy (Jerold, 2008).

III. FINANCIAL INCLUSION SCHEMES IN INDIA

Over last three years, government has launched various flagship social security schemes with an objective of broadcasting financial inclusion in India. This was done to make financial services such as banking, insurance, and others available to the Indian citizens especially from the low & middle class category at an affordable cost and make them financially secure. And lots of efforts are being taken to increase the subscribers under each of these schemes. The Government of India has announced various financial inclusion schemes in the form of insurance, pension, savings account and others which were launched. 1. Pradhan Mantri Jan Dhan Yojana (PMJDY)-2014. 2. Pradhan Mantri Suraksha Bhima Yojana (PMSBY)-2015. 3. Pradhan Mantri Jeevan Jyothi Bhima Yojana (JSBY)-2015. 4. Atal Pension Yojana (APY)-2015. 5. Jeevan Suraksha Bandhan Yojana (JSBY)-2015. 6. Sukanya Samriddhi Yojana (SSY)-2016. 7. Suraksha Bandhan Scheme (SBC)-2015. 8. Stand Up India Scheme (SIS)-2016. 9. Pradhan Mantri MUDRA Yojana-2015. 10. Pradhan Mantri Vaya Vandana Yojana (PMVVY)-2014. 11. The Digital Advancement of Rural Post Office for a new India (DARPAN)-2017. 12. India Post Payments Bank (IPPB)-2018.

IV. OBJECTIVES OF THE STUDY

1. To understand the concept of financial inclusion.
2. To study the progress made under the PMJDY in India & Karnataka.
3. To study the role of government and banks in this scheme.

V. METHODOLOGY OF THE STUDY

The present paper is based on secondary sources of data. Published sources include government publications and other publications like research articles published in journal and available on websites.

VI. REVIEW OF LITERATURE

Mukhopadhyay (2016) pointed out asymmetry in evaluating financial inclusion from supply side and demand side variables. The author used data from a Pan-India survey of a representative adult population, to compute a financial inclusion index for 22 states capturing demand-side information. The author found differential access to bank credit between poor and non-poor in most of states and those non-poor persons were more likely to save in a bank compared to poor.

Bhanot and Bapat (2016) studied financial inclusion while incorporating the contribution of SHG-bank linkage programme thereby highlighting multiplier effect of Self-Help-groups (SHG's). Financial inclusion was evaluated based on data branch penetration and deposit penetration collected during 200-12. The authors concluded that in rural areas, branch penetration had stagnated, but credit and deposit penetration had improved with a promising improvement due to SHG-bank linkage programme.

Ghosh and Vinod (2017) used All India Debt and Investment Survey data (2013) to analyses access to and use of cash loans by households and relevance of gender. The authors found that female headed households were less inclined to access formal modes of finance and more inclined to access informal finance. Women faced restraints due to both demand and supply factors that impeded their access to and use of formal financial services.

Schueth and Moler (2017) studied impact of demonetization on financial inclusion using a panel survey of 1,600 individuals before and after announcement of PMJDY in the states of Gujarat, Madhya Pradesh, and Rajasthan. The study found increased bank account registrations and active use of those accounts. It also observed that demonetization increased utilization of various financial services overcoming longstanding demographic barriers.

Gunther (2017) used Pan-India data from a survey of 1, 35,147 individuals and another 16,000 households before and after the introduction of the PMJDY to understand trends in financial inclusion. The surveys were conducted in four lowest income states in India during 2013-15. The analysis indicated that PMJDY had significantly increased likelihood of previously unbanked population owning an account. But the author also noted a less substantial effect on the most marginalized segment of the people and large regional differences.

Ranade (2017) attempted to draw attention to the potential of finetech and its impact on financial services. He discussed the role of information management and its potential use coupled with the Jan Dhan-Aadhar-Mobile phones (JAM) infrastructure that can give a big push to financial inclusion. The author also recommended caution in terms of privacy and ownership of data that would be generated in the process.

VII. ROLE OF COMMERCIAL BANKS IN FINANCIAL INCLUSION

The PMJDY scheme of the government, with support from all banks and participation of many supporting agencies, is trying hard to bring in the underprivileged into the financial inclusion circuit. The major barriers to financial inclusion are lack of financial understanding or information, poor people's low income and erratic cash flow, lack of suitable products and processes from formal financial service providers that cater to the needs of poor people. Most of the schemes of government for financial inclusion focused on rural areas, but the PMJDY scheme intends to focus on rural as well as urban areas. With help of bank mitra or business correspondents, banks need to penetrate the services into the urban areas. It is important to note that the inclusion process can be expedited by many more financial literacy programmes. In India, the focus of the financial inclusion at present is confined to ensuring a bare minimum access to a savings bank account without frills, to all. Intentionally, the financial inclusion has been viewed in a much wider perspective. Having a current account or savings account on its own, is not regarded as an accurate indicator of financial inclusion. 'Financial inclusion' efforts should offer at a minimum, access to a range of financial services including savings, long and short term credit, insurance, pensions, mortages, money transfers, etc. and all this at a reasonable cost.

VIII. CONCLUSION

Financial inclusion that affords availability and usage of formal financial system for all members of an economy especially vulnerable and financially excluded group at an affordable cost will ultimately influence economic activities. The instruments offered under financial inclusion also need consideration. There is a significant difference in socio-economic background of people living in rural India and therefore there is a need for flexibility in financial schemes designed for different segments of the unbanked population. Hence these instruments should be more customized to needs of local demography and sources of livelihood. Certainly with a firm intent and infrastructural network of institutions the dream of financial services for all can be realized in the future. A bold step indeed required withstanding the heat of economic down surge and fighting poverty, and the PMJDY is definitely a good fighting mechanism to check the poverty in Karnataka.

IX. REFERENCES

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