

Status of Pradhan Mantri Jan Dhan Yojna in Uttarakhand : An Initiative under Financial Inclusion

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Abstract

The irony of the Indian growth story is that where on one hand, a certain proportion of the population is enjoying the accessibility of banking services; on the other hand, another segment remains underprivileged. The lower income strata are totally deprived of even basic financial services. Though banking industry is growing both horizontally and vertically, in spite that the penetration of branches in rural areas does not match with the rising demand and the need for accessible financial services. Even after decades of Bank nationalization, the country is still struggling for the access of financial services and still a large proportion of the nation depends on money lenders or the informal sector who are continuously exploiting the poor. In this regard, many initiatives have been taken by the government to include the exclusions. PMJDY launched in 2014 is one of such initiative. This paper attempts to put forth the status of Pradhan Mantri Jan Dhan Yojna, an initiative under financial inclusion.

Keywords : Financial Inclusion, Exclusion, Jan Dhan Yojna, Financial service, Growth.

JEL Classification : E 52, G 21, G 32.

1. INTRODUCTION

A lopsided growth can never be successful. For every country, social welfare will be possible if each and every citizen is a part of the growth story. Growth is meaningful if it is inclusive. The above statement means that whenever growth is being measured, the results may be high but at the same time, there might be many inequalities among the society. The backbone for any economic activity is the

availability of the financial resources which can be catered by two main sources viz. Informal and Formal sector, where informal refers to Non-institutional sources and formal sector refers to Institutional sources.

Through our Literature review, it can be concluded that there is high intensity of poverty and illiteracy especially in the rural areas. The hesitation to approach a financial institution still lies in the minds of the poor people. Thus, largely their financial needs are fulfilled more by the non institutional sector. However, such sources are not so very successful and efficient because of many reasons like paying higher rate of interest, exploitation of poor farmers, compulsorily selling off their produce to the moneylenders at a cheaper price and thus sacrificing against their hard work due to their constraint.

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By looking into all these problems, an urge was required bringing up some change in the economy where the present situation could have been turned into a new face. And this incorporates strong demand for framing policies in favour of institutionally excluded people. During the past, government has already taken various steps. Financial Inclusion, an initiative taken by the government, aims in improving the social welfare as it has the power to create positive externalities by increasing the saving and investment habit, thus, automatically generating & raising the level of economic growth.

An extension under financial inclusion was the introduction of "Pradhan Mantri Jan-Dhan Yojana (PMJDY)". On August, 2014, the scheme was incorporated across the nation simultaneously. The scheme lies at the core of development philosophy of "Sab Ka Sath Sab Ka Vikas". The main aim was to cover all households in the country with banking facilities and having a bank account for each household. The main emphasis was to include people left-out into the mainstream of the financial system.

Earlier, Government of India had put in efforts forming a committee on financial inclusion under the chairmanship of Dr. C. Rangarajan. The committee was of the opinion that the need for financial inclusion is an essential requisite for social transformation. Post economic reforms (1991), it was observed that the economy was working under Non-Pareto optimal conditions. Therefore, to increase the welfare of the society, it became necessary that the poor strata must be included in the growth paradigm.

Driving an economy from an inefficient to efficient system; it is required that the economically disadvantageous class must be included to the mainstream. By doing so, the financial institutions also get an opportunity to hold credit for inclusive growth. During the past,

many studies conducted within India as well as abroad witnesses that traditional banks have put in their effort to reach the excluded section of the country with their financial services (Kumar, 2013) and (Sumanthy, 2013).

2. CURRENT STATUS OF AVAILABILITY OF BANKING SERVICES - INDIA'S PERSPECTIVE

The latest census report (Census, 2011) accounts that in the whole country; only 58.7 percent households are availing institutionalized banking services in the country.

Figure 1
Banking Services



Source : Census 2001, 2011.

Even after six decades of independence and despite of various measures taken for financial inclusion, it is unfortunate that poverty and exclusion still continues to dominate socio-economic and political discourse in India. Though the economy has witnessed substantial growth during post liberalization era of 1991; yet the impact has not trickled among all sections of the society. The worst part is that India accounts for one third world's poor population (UN Millennium Development Goals Report 2014).

The statistics showed in table 1 shows that during the recent years, there is a substantial rise in provision of basic banking services whether in terms of opening accounts, branch expansion, coverage of villages through BC's/BF's, maintaining accounts via BC's/BF's and so on. However, in order to attain financial stability and lead a sustainable economic life, it is essential that all the sections shall be financially included.

Table 1 : Showing progress of all banks including RRB's in India

Particulars	Year ended 2010	Year ended 2011	Year ended 2012	Year ended 2013	Year ended 2014
Banking Outlets in Villages					
a) Branches	33,378	34,811	37,471	40,837	46,126
b) Villages covered by BCs	34,174	80,802	1,41,136	2,21,341	3,37,678
c) Other modes	142	595	3,146	6,276
d) Total	67,674	1,16,208	1,89,753	2,68,454	3,83,804
Urban locations through BCs	447	3,771	5,891	27,143	60,730
BASIC SAVING BANK DEPOSIT A/c-Branches					
a) No in millions	60.19	73.13	81.20	100.80	126.00
b) Amount in billons	44.33	57.89	109.87	164.69	273.30
BASIC SAVING BANK DEPOSIT A/c-BCs					
a) No in millions	13.27	31.63	57.30	81.27	116.90
b) Amount in billons	10.69	18.23	10.54	18.22	39.00
OD Facility Availed in BSBDA's Accounts					
a) No in millions	00.18	0.61	2.71	3.92	5.90
b) Amount in billons	0.10	0.26	1.08	1.55	16.00
KCCs (No in millions)	24.31	27.11	30.24	33.79	39.90

Source : Data provided by State Level Banker's Committee.

During a survey, it was found that only 35 percent of Indians had accessibility to a formal bank account. Only eight percent of such population borrowed from formal financial institutions in previous 12 months preceding the survey (World Bank Findex Survey, 2012). Such meager number puts up a strong argument that suggests, still more amount of effort is required in fetching these population to the mainstream of formal financial structure who yet remains unattached. The six pillars of Pradhan Mantri Jan Dhan Yojana are :

- i) Universal access to banking facilities
- ii) Providing Basic Banking Accounts with overdraft facility and RuPay Debit card to all households
- iii) Financial Literacy Programme
- iv) Creation of Credit Guarantee Fund
- v) Micro-Insurance

vi) Unorganized sector Pension schemes like Swavalamban

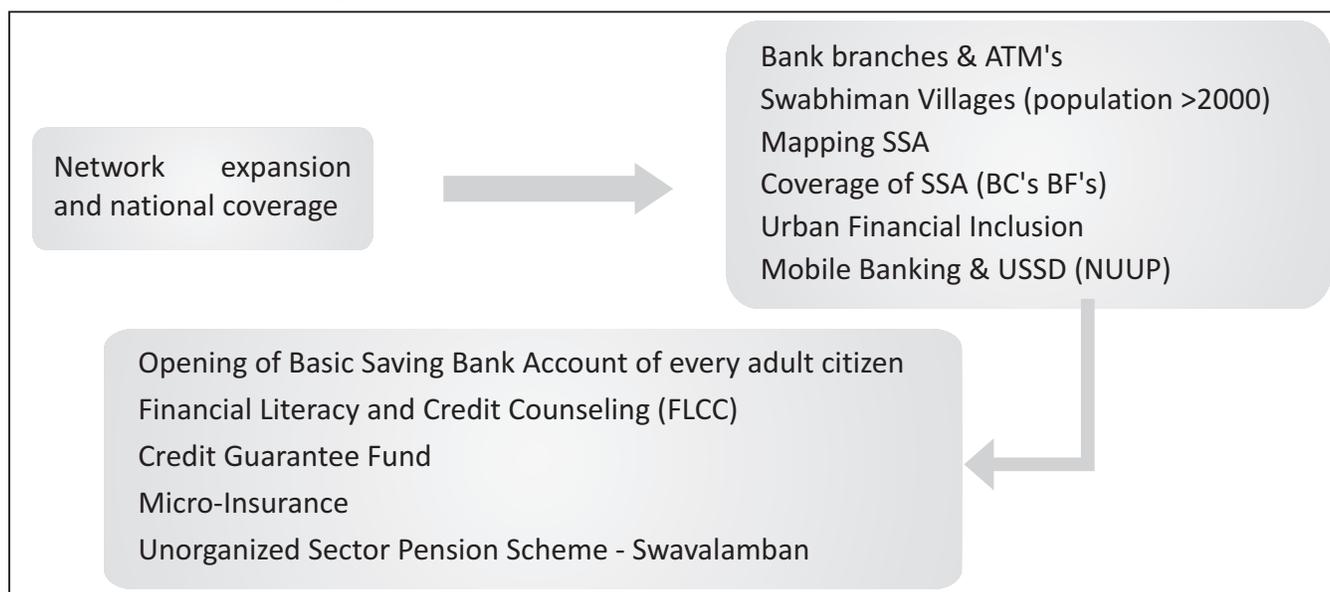
Under the mission, the first three pillars were given thrust initially.

3. LITERATURE REVIEW

From the past research, an attempt has been made to understand the various aspects of the researchers towards financial inclusion. Each researcher has his own opinion and different ideology. Through literature review, it has been realized that though India received its independence way back seventy years; but the country is yet required to provide independence from debt and cunning money lenders (Bhuvaneshwari 2013). The banks primarily should identify the rural sector problems and focus on solving them. The role of Indian banks should be primarily solving problems faced by rural India. In other words, the concept of social banking should be constituted in order to attain

Figure 2 :

Flow chart showing Implementation of Pradhan Mantri Jan-Dhan Yojana in Mission Mode



human development. The concept is though addressed by Cooperative and Regional Rural banks to some extent; but their success remains limited. It is strongly argued that social banking can act as a tool of financial inclusion in country like India. It is an urge that the banks should view financial inclusion as a model which must generate profits. Further, the banks must lower the cost of transactions and should try to offer. However, it has been seen that the urban Cooperative banks are more successful in achieving their objectives related to financial inclusion (Sinha, 2013). Since including the exclusion financially is a pre condition to build uniform development in the society; the government took major initiative by introducing no frill accounts with the intention of bringing greater financial inclusion ushering equity (Punnathara, 2006).

In order to improve the standard of people, it is very important that there is a proper supply of efficient financial system in the society. Only an inclusive system can bring in welfare by catering the poor and the disadvantaged, thus eradicating the financial exclusion (Kumar, 2013). Though there has been technological advancement and various policies are implemented, yet a major portion of

population still remains deprived from accessing affordable financial services. Financial literacy programmes shall be organized to create awareness among society. It is a well known fact that no nation can develop unless the growth of the underprivileged section is inclusive. Though the banks have shown growth in terms of volume of business, achieving profitability and facing competitiveness but still vast segment, particularly the deprived section remains out of the basic banking facilities bracket. (Sumanthy, 2013).

It is evident from past studies that a positive correlation exists between expansion of financial inclusion and economic growth (Kumar, 2013). The study utilizes state-wise data extending year 1995-2008 and tries to explain the behavior of 'Financial Inclusion' in India. The progress of banking sector is witnessed post reforms 1991. A comparative analysis of India and China was made which indicated that India is moving on the path of economic growth and therefore it is necessary to address the issue of growth should be inclusive with rest of the developmental activities (Mohan, 2006). Banks have to play major role in order to increase the financial pattern thus leading accelerating the financial development which further impacts positively on the growth of the country. Many

studies conclude that banking sector not only acts a facilitator rather a need to achieve success (Subbarao, n.d and Batra, 2011). Since the whole economy, whether directly or indirectly is dependent on the banking sector therefore, it is considered as a backbone for every economic activity. It is recognized that the profitability ratio of our economy is improving in the past few years and expected to increase further in future.

The broader outline of financial inclusion covers delivery of financial services to the vast section of society largely disadvantageous or the low income strata at an affordable cost. Such services include deposits, borrowings, payments and remittance facilities respectively. Any of the above mentioned service if remains absent; the entire concept becomes inappropriate (Barik, n.d). Institutions like public sector banks, private sector banks, RRBs, Cooperatives, NGOs, Post Offices, MFI's etc all come under facilitators of financial services. Some of them have adequate presence in the rural areas as well. Allocation of KCC and GCC schemes, educating and promoting financial literary programmes across the country, expansion of branches and incorporating lower rate of interest for rural people and adoption of new technologies are the four key elements identified to eradicate financial exclusion from the society (Mohanty, 2012). It is observed and witnessed that greater availability of banking services stimulates financial inclusion, particularly among the poor (Pal, 2012).

4. RESEARCH METHODOLOGY

The Present study is purely based on secondary data. The objectives of the study are as follows :

Objectives of the Study

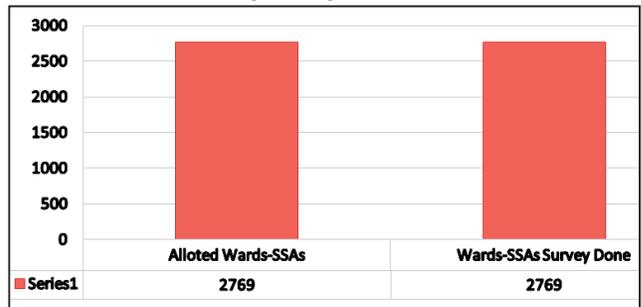
- To examine the gap between the allocation of the wards and the household's targets and survey completed among the districts of Uttarakhand
- To assess the number of rural and urban accounts registered under the scheme

- To assess the number of zero balance accounts, Aadhar cards seeded and Rupay cards issued under Jan Dhan Yojna.

5. RESULTS AND DISCUSSION

It has been tried to analyze different categories of banks as well as 13 districts of Uttarakhand using various variables and finding out relationship & inter linkages. Since August 2014, the scheme was started with the major aim of fulfilling at least on account of each household. For the same, various steps were taken. In the present study, it has been tried to find out the status of the allotment of wards and to what percent the survey is successful. Similarly, it will be analyzed how many rural and urban accounts are opened under the scheme. District wise allotment will also be analyzed.

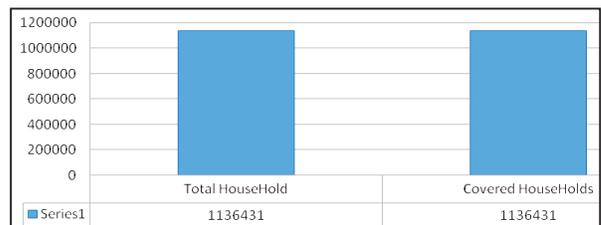
Figure 3 : Showing the status of allotment of wards and survey completed in Uttarakhand



Source : SLBC Uttarakhand 2015.

Figure 3, it has been tried to show that how much was the allotment of the wards and to what extent the survey has been completed. Here, it can be clearly seen that the total number of allotted wards were 2769 and it is glad to know that the survey has been done completely. It means cent percent survey is complete and no survey remains pending.

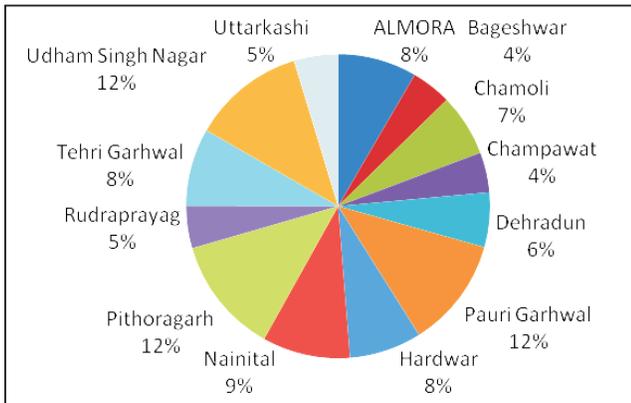
Figure 4: Showing the total households allotted and the number of households covered



Source : SLBC Uttarakhand 2015.

Figure 4 shows the total households which were being allotted and the number of households which are already covered by the banks. The figure also shows that hundred percent households have been covered with zero percent of pending work.

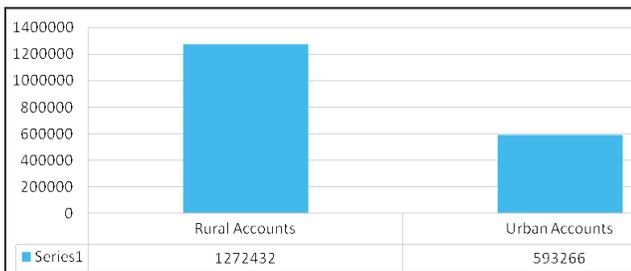
Figure 5 : Showing the wards allotment over all the districts of Uttarakhand



Source : SLBC Uttarakhand 2015.

Figure 5 shows the allotment of the wards in the state of Uttarakhand. In figure 2, it was shown that the total number of wards allotted were 2769. Here, in this figure, it has been shown how the allotment is distributed among all the districts. Highest allotment is seen in Udham Singh Nagar, Pithoragarh where as lowest in smaller districts like Champawat. It directly shows the correlation with the density of population.

Figure 6 : Showing the total number of accounts opened under rural and urban areas (Uttarakhand)

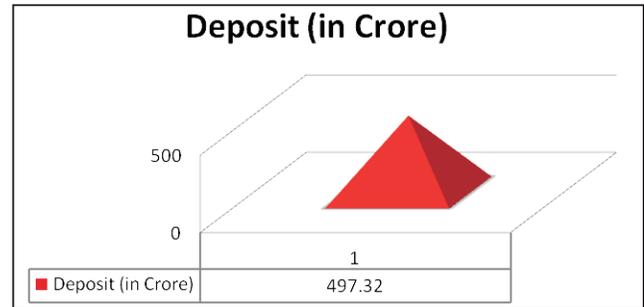


Source : SLBC Uttarakhand 2015.

Figure 6 shows the total number of

accounts opened under PMJDY. The grand total of 18, 65,698 accounts was being opened in the state. Out of which almost 70 percent of the accounts are opened in the urban areas with remaining in the rural areas. This show that even in the urban areas, there were many households which did not had a bank account.

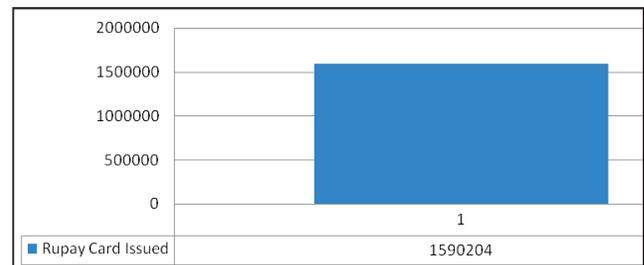
Figure 7 : Showing the total deposits in crores generated through the scheme



Source : SLBC Uttarakhand 2015.

Figure 7 shows the total amount of deposits in crores which have been generated through the scheme. Approximately 500 crores have been generated by the state though PMJDY.

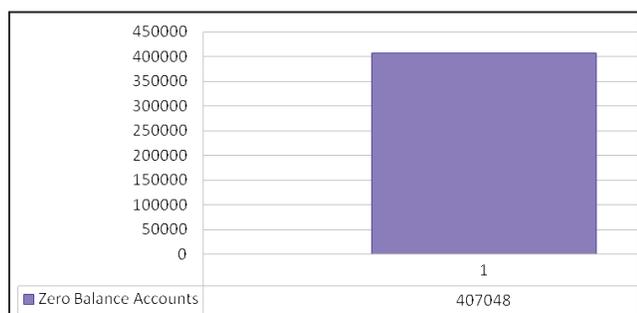
Figure 8 : Showing the Rupay cards being issued by the banks



Source : SLBC Uttarakhand 2015.

Figure 8 shows the total number of Rupay cards issued. The word Rupay is made up of two words Rupee and payment. Thus it is a kind of debit payment card. Almost sixteen lakh cards have been issued against 18, 65,698 accounts. The gap between them may be because of zero balance accounts. Many of the zero balance account holders might not have opted for debit card.

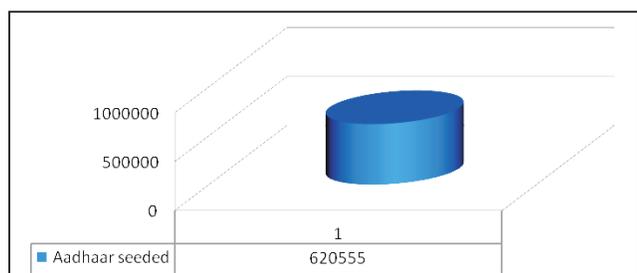
Figure 9 : Showing the zero balance accounts under PMJDY



Source : SLBC Uttarakhand 2015.

Figure 9 showing the number of accounts which are opened at zero balance. Almost 4 lakh accounts have been opened at zero balance. Such an initiative was to attract even the lowest income person who never affords to open a bank account.

Figure 10 : Showing accounts which are Aadhar seeded



Source : SLBC Uttarakhand 2015.

Figure 10, it is visible that out of eighteen

lakh accounts at least one third of the accounts are aadhar seeded. It is a good sign for the financial inclusion.

6. CONCLUSION AND SUGGESTIONS

The study concludes that hundred percent survey has been completed where far the households and SSA/wards allotment was concerned with no gaps. It further concludes that almost twelve lakh new accounts have been opened in the rural areas and approximately six lakh accounts have been opened in the urban and semi-urban areas under the scheme.

Four lakh zero balance accounts were opened on one hand, whereas, the banks have also generated approximately five hundred crores in the form of deposits. It has also been seen that almost sixteen lakh new Rupay cards were issued under the scheme.

More incentives should be thought for through which even a lay man gets attracted to increase his/her banking transactions.

Since these accounts are not of regular use, the turnover is restricted to Rs.50, 000 per annum per account, it should be increased further.

Bank employees should be rewarded as well to motivate their morale.

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