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INTRODUCTION
REVIEW OF LITERATURE
NEED/IMPORTANCE OF THE STUDY
STATEMENT OF THE PROBLEM
OBJECTIVES
HYPOTHESES
RESEARCH METHODOLOGY
RESULTS & DISCUSSION
FINDINGS
RECOMMENDATIONS/SUGGESTIONS
CONCLUSIONS
LIMITATIONS
SCOPE FOR FURTHER RESEARCH
REFERENCES
APPENDIX/ANNEXURE

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- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
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A STUDY OF THE FINANCIAL INCLUSION THROUGH JAN DHAN YOJNA: ISSUES, PROSPECTS AND PERFORMANCE

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ABSTRACT
The financial inclusion issue have emerged as a new paradigm of sustainable long term socio- economic growth and has been a buzz word among academician, policy makers and government for a long time. The theme of Indian 12th five year plan (2012-2017) is also focusing on faster, sustainable and more inclusive growth. In this regard many attempts have been made by the policymakers and financial institutions to bring people into the mainstream of banking system realising that financial inclusion is the essence of sustainable economic growth and progress of country like India. We all know that Inclusive growth is impossible without financial inclusion. Though in recent years GOI & RBI have been extensively pushing the concept of financial and social inclusion but still about 40 % of people in our country are lacking the access to even basic financial services like saving, credit, health &life insurance. To reduce the extent of "financial untouchability" the new Government has come up with the "Pradhan Mantri Jan-Dhan Yojana (PMJDY)" a National mission for financial inclusion with the development philosophy of "Sab Ka Sath Sab Ka Vikas". PMJDY has the objective of covering all households in the country with banking facilities along with inbuilt insurance coverage. The presented paper discusses the new trend of financial inclusion through PMJDY, its salient features, challenges and the expected impact it can have on various stakeholders in our country.

KEYWORDS
Commercial banks, Economic development, financial inclusion, financial institutions, Jan dhan yojna.

INTRODUCTION
In 2014, the richest 1% of people in the world owned 48% of global wealth, leaving just 52% to be shared between the other 99% of adults on the planet," said development organization Oxfam in its report. "If this trend continues, of an increasing wealth share to the richest, the top 1% will have more wealth than the remaining 99% of the people in just two years ... with the wealth share of the top 1% exceeding 50% by 2016," the U.K.-based charity Oxfam report said. Oxfam executive director Winnie Byanyima added that more than I billion people on this planet continue to live on less than $ 1.25 a day.
Social and financial exclusion is considered as one of the major reason behind the inequality of income and wealth.
In this regard World Bank has performed an extensive survey among the people of 148 economies related to bank account penetration, burrowing and saving pattern. The summary of data is given below.

TABLE 1: GLOBAL ACCOUNT PENETRATION

High income economies	East Asia and pacific	Europe and central Asia	Latin America and Caribbean	South Asia	Sub Saharan Africa	Middle east and north Africa	Overall average (global avg)
89 %	55%	45%	39%	33%	24%	18%	50%

Source: Demirguc-Kunt and Klapper 2012.

FINANCIAL EXCLUSION IN INDIA: PROBLEM DIMENSION
The Census 2011 data shows that only about 14.48 crore or144.8 million (58.7%) out of total 24.67 crore (246.7 million) households in the country utilize formal banking services and 101.9 million (41.3%) have no bank accounts. Further, only about 54.4% households (9.14 crore) of the total 16.78 crore rural households were accessing the banking services.
There is another aspect of financial exclusion story. The World Bank Findex Survey (2012) also says that only about 35% of Indian adults (in which 42% men and 27% women) had access to a formal bank account and a meagre 8% borrowed formally in the last 12 months. Moreover only 8% people have debit card and 2% people have credit card.
Beside this IMF financial access survey 2014 revealed that India had only 12.16 branches and 13.27 ATMs per 100,000 populations as compared to 38.06 & 221.21 in china and 47.70 &130.74 in Brazil among BRICS countries.

OBJECTIVES
- To evaluate the present status of financial inclusion in Indian economy.
- To incorporate the existing body of knowledge, structure, system, models and various mechanisms associated with different financial inclusion initiatives by institutions with Pradhan Mantri Jan Dhan Yojna (PMJDY).
- Analysing the progress of PMJDY.
- To identify various issues and challenges related to this scheme.
- To overview various implications of PMJDY.

RESEARCH METHODOLOGY
The presented paper is an effort of exploratory research, which is based on the secondary data collected from RBI reports, bulletins/working papers on finance, financial sectors reforms committee reports, trends & progress reports of banking, financial surveys, articles, journals, books, government journals & magazines. Keeping in view of the requirements of set objective of the study the research design used for the study is of descriptive type. Available secondary data was extensively used with a great accuracy and in depth analysis for the research study.

The parameters which were analysed to check the impact of financial inclusion on Indian economy were number of functioning branches of scheduled commercial banks in rural and urban areas, account balances, card statistics as on 05 Feb 2015.

LITERATURE REVIEW

Financial inclusion is very important because for deprived and poor, access to basic financial services holds out the potential to produce enormous benefits. Families are able to smooth out consumption and increase investment, including in education and health. In this way they can insure against adverse and unfavourable events-and therefore avoid falling deeper into poverty, which is frequently the case with such incidents (Christine lagarde MD IMF 2014).

In the annual report of UNSGSA (UN Secretary-General's Special Advocate for Inclusive Finance for Development), released during sept 2014, the H.M. Queen Maxima included that Financial inclusion cannot be set aside as countries emerge from the world economic crisis. Rather, the deepening of responsible financial inclusion will help build long-term resilience and mitigate the impact of future financial and humanitarian crises, especially those affecting the most vulnerable populations of the world.

In the Indian context, financial inclusion is considered as the delivery of affordable financial services, *viz.,* access to the facilities of payments, remittances, savings, loans and insurance services by the formal financial system to those who are excluded (RBI 2014).

Honohan (2008) observed that the financial sector plays a multi- dimensional role in the progress of financial development. It mobilizes and concentrates resources for investment and allocates them based on an assessment of risk and return, judging creditworthiness and monitoring performance, it offers risk-reduction and risk- pooling services that have both direct effects on welfare and indirect effects on growth.

It has been observed that access of financial services empower the poor folks and deprived groups to finance their plans. It leads to a positive impact on growth and poverty alleviation as it help in enhancing productivity (Banerjee and Newman 1993, Ramji, 2009).

WHY FINANCIAL INCLUSION IS NEEDED?

Financial inclusion is a crucial aspect for the developing countries like India. It is needed:

Firstly, it develops a habit of saving which ultimately help in economic development of their family. It protects their savings, wealth and other resources in all situations. Further the availability of surplus money can be utilized by the banks to channelize it into needful sectors for improving economic position of the country finally. Financial inclusion helps to increase the inclusiveness of poor and vulnerable groups within the periphery of banking system by increasing their economic activities. It enable poor to comes out from the exploitation of money lenders and other informal sources of finance by facilitating easy and simpler access to formal credit. Lastly to plug in the leakage in delivery of public subsidies and welfare programs by way of transferring the amount directly into beneficiaries account.

POLICY DEVELOPMENTS FOR FINANCIAL INCLUSION IN INDIA BEFORE PMJDY-A HISTORY

Indian government, has for a long time, recognised the socio-economic necessities for financial inclusion and has contributed at great extent to economic development by evolving various novel ways to empower the vulnerable groups. The following table shows the important milestones that have been taken on the way of financial inclusion in India.

DURING 1960S-1970s

1) Policy of social control on banks in 1967.
2) National credit council established in 1968.
3) Nationalisation of banks happened in 1969.
4) Lead bank scheme started in 1970.
5) Differentiated rate of interest (DRI) scheme started in 1972.
6) Regional rural banks started in 1975.

DURING 1980S-1990s

1) NABARD established in 1982.
2) NABARD introduced SHG-bank linkage scheme, further direct & indirect lending were allowed to SHG through facilitating MFIs & NGO.
3) Special Agricultural credit plan (SACP) introduces 1994-95.
4) Rural infrastructure development fund (RIDF) launched in 1995.
5) RBI stimulated banks for giving saving bank account facility to SHGs members in 1998

DURING 2000s

1) SIDBI were established for micro credit in 2000.
2) Financial inclusion introduced for the first time in RBIs annual policy statement in 2005-06.
3) No frill A/c with zero or low minimum balances to cover the low income groups.
4) ATM facility & a few transactions free every month.
5) KYC regulation norms were simplified.
6) General credit card for rural and semi- urban customers to provide the loan facility.
7) Committee on financial inclusion (2008) organised to improve the credit delivery & leverage technical advancement.
8) Banking correspondence (BC) and Business facilitator (BF) services through NGOs, MFIs, Govt. Retired bank officials, ex-servicemen started for providing various financial and banking services.
9) Given licence to open a bank branch in towns and villages populated below 50000 in Dec 2009.
10) Tie up with post office to work as BCs.
11) Tie up with insurance companies to sell insurance products through banks.
12) 100 per cent financial inclusion drive launched.
13) Electronic cash transfer scheme for channelling social benefit directly into the bank account of beneficiaries.

FINANCIAL INCLUSION THROUGH PMJDY- A SNAPSHOT

Our Prime Minister Mr Narendra Modi continued the above journey through the launching of a Big Bang mega inclusive plan with the name Pradhan Mantra Jan Dhan Yojna on 15 Aug 2014.

The PMJDY is considered as a national mission on financial inclusion which has the objective of covering all households in the country with banking facilities and having at least a bank account for each household. The scheme has simplified the whole process of opening an account. The KYC norm to open bank account has been simplified; any of the ID proof like AADHAR, voter card, PAN card, driving licence, and MGNREGA job card can be utilise for opening account. Moreover if the address mentioned on the ID is different from the current residence of applicant, only a self-declaration will work. The PMJDY is being implemented in two phases.

PHASE I (15 AUG, 2014 - 14 AUG, 2015)

1. Universal access to banking facilities in all areas except areas with infrastructure and connectivity constrains like parts of North East, Himachal Pradesh, Uttarakhand, J&K and 82 Left Wing Extremism (LWE) districts.
2. Providing Basic Banking Accounts with overdraft facility of Rs 5000 based on the performance during the first six month.
3. RuPay Debit card which has inbuilt accident insurance cover of ₹ 1 lakh.

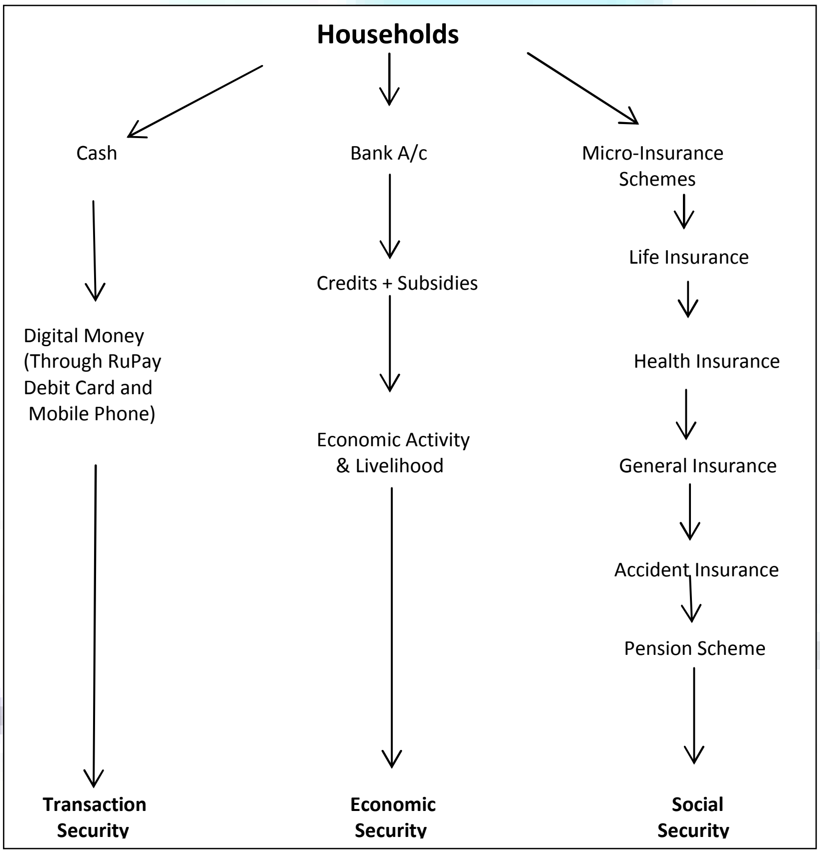
4. Financial literacy program
5. Expansion of Direct benefit transfer (DBT) under various govt. schemes through bank account.
6. Issuance of Rupay Kisan Card
7. Financial Literacy Programme

PHASE II (15 AUG, 2015 - 14 AUG, 2015)
1. Creation of Credit Guarantee Fund for coverage of defaults in A/Cs with overdraft limit up to 5,000/-.
2. Micro Insurance
3. Unorganized sector Pension schemes like Swavalamban.
4. Coverage of households in hilly, tribal, difficult areas and coverage of rest of the adults in the household and students.

STRATEGY OF PMJDY
Jan dhan yojana is mainly based on the following strategic points.
Expanding the network and geographical coverage of banks branches and their ATM. provide basic saving bank deposit account (BSBDA) with zero balance to all adult citizen. For this the whole dist. is divided into Sub service Areas (SSA).
Engagement of bank mitra (Business Correspondence) which are fully equipped with required infrastructure facilities like internet connectivity, webcam, camera, biometric scanner, and printer.
Enabling technology based customer information system (e-KYC) and providing USSD based mobile banking services for accessing their bank account.
Establishing the financial literacy and credit counselling centres for improving the knowledge about the banking facility, how and when to use which facility etc.
Finally the credit guarantee fund has been created.

ANTICIPATED IMPACT OF FINANCIAL INCLUSION THROUGH PMJDY
A comprehensive financial inclusion incorporates providing all households in the country with banking services, with particular focus to empower the weaker sections of society, including women, small and marginal farmers and labourers, both urban and rural.
Expanding the base of banking and financial inclusion: more and more people of the India is to be included in the mainstream of banking inclusion, and it could be done through the expansion of banking network.
Social security and welfare: PMJDY is equipped with the social security and welfare feature as it associate the bank account with the insurance and pension schemes.
Economic security: Opening and accessing bank account is the first step towards involving them into the positive economic activity which leads to the way of upgrading their economic position.
Better Disbursement: bank accounts opened are being used for direct transfer of beneficiary amount of various financial and social welfare schemes, thereby by passing the intermediary channels.
Transaction security &Better Control: The scheme is equipped with the digital money(RuPay debit card).This on one hand provide the security of transaction, on the other hand it act as better tool to control the money flow by decreasing the number of cash transactions.

FIGURE 1: IMPACT OF FINANCIAL INCLUSION ON HOUSEHOLDS



Source: PMJDY Brochure

PROGRESS AND PERFORMANCE OF THE SCHEME ACROSS INDIA

TABLE 2: SHOWING NUMBER OF ACCOUNTS OPENED UNDER PMJDY AS ON 05.02.2015 (SUMMARY)

	Rural	Urban	No Of Accounts	No Of Rupay Debit Card	Balance In Accounts (In Lacs)	No Of Accounts With Zero Balance
Public Sector Bank (PSBs)	54242286	45927643	100169929	92827111	854443.01	65271908
Rural Regional Bank (RRBs)	18830625	3347384	22178009	15354053	165628.18	16021877
Private Banks (PBs)	3261664	2040674	5302338	4612826	72742.97	3041275
Grand Total	76334575	51315701	127650276	112793990	1092814.16	84335060

TABLE 3: SHOWINGING INCREMENTAL GROWTH IN ACCOUNTS

	29 sept	29oct	29nov	29dec	30jan	05feb
No. of Rural A/c (in millions)	31.27	39.87	49.50	61.29	74.61	76.34
No. of Urban A/c (in millions)	21.71	27.65	33.73	41.39	50.12	51.31
Total A/c (in millions)	52.98	67.52	83.23	102.68	124.73	127.65
Combined balance in A/c (in Crore)	3971.52	5027.57	6494.10	7930.65	10415.84	10928.14
No. of Rupay Card issued(in Millions)	17.85	34.23	52.57	82.11	109.91	112.80

Source: compiled by author with the help of http://pmjdy.gov.in and http://financialservices.gov.in

The Table reveals that till Feb 05, 2015, approx. 127650276 bank accounts of which 76334575 are in rural (59.80 %) and 51315701 in urban areas (40.20 %), with Rs.1092814.16 Lacs have been opened under the scheme. Until the end of 1st week of Feb, 66 per cent of the new accounts opened were without any balance. This was 10.91 percentage points less than in September.

Performance of Public sector banks (PSBs) is at the top followed by Regional Rural Banks (RRBs) and Private banks (PBs). PSBs are contributing more in PMJDY which is evident from the fact that their number of accounts opened, number of RuPay Debit Card issued and balance in accounts opened are more than 80%. However, RRBs and PBs are contributing less which is reflected from the fact that their number of accounts opened, number of RuPay Debit Card issued and balance in accounts opened are near to 17% and 3% respectively.

According to the latest data available with the finance ministry, State Bank of India tops the list with 26.59 million accounts opened across its branches till 05 Feb this year. Punjab National Bank which opened 7.32 million accounts came in second, closely followed by Bank of Baroda with 6.78 million bank accounts.

Among private lenders, ICICI Bank stood on top with 2076520 accounts followed by HDFC Bank that opened 945806 accounts. Jammu & Kashmir Bank came next with 942539 accounts and Axis Bank opened 442507. Federal Bank opened 231685 accounts as of Feb 05 this year.

Most recently in joint sitting of Parliament at the beginning of budget session President Mr Pranab Mukherjee mentioned that PMJDY coverage has reached close to 100% with a record breaking 13.2 crore new bank account being opened, 11.5 crore Rupay debit cards being allotted and more than 11,000 crore being deposited.

Now the scheme has found place in the Guinness Book of World Records.

POTENTIAL ISSUES AND CHALLENGES IN SCHEME

There is no doubt that this comprehensive financial inclusion program is a major step for economic growth of India, but there are a number of potential issues and challenges that can't be denied and may pose a debatable threat to its effectiveness.

In PMJDY there is big possibility of duplicity as people are opening multiple accounts under the scheme-a report of business standard said.

Literacy rate of India is not up to standard and uniform at every place. So it is very tough task to explain everything about the use and benefits of these financial schemes.

Since a type of sudden flood of account has been started under this scheme, it led to laxity in basic due-diligence.

A particular section of society, more susceptible to fraud and easily be trapped into parting with card details -- can become a target of financial malfeasance and money laundering. News has been heard about how the poor and uneducated people fall prey to rackets promising money rewards and lotteries.

Many reports has been published about how people are using an account in somebody else's name to do illegal activities, this is called money mule. Accounts are being sold for Rs 500-1500 for this purpose.

India is the land of geographical and culture diversity. Tough area like jammu-kasmir, north-east, and other naxalite affected areas are not easily coverable and accessible. Secondly cultural and psychological barriers such as language, racism, belief, orthodox mind set, suspicion or fear of financial institution must be resolved.

Financial feasibility of these accounts is major issue. As approx. 70-75% of accounts have no money. Maintaining these low balance or inactive accounts are putting severe strain and adding unwanted cost to the banking sector.

There is no clarity about from where the funds for overdraft (credit) facility of Rs 5000 each, thereafter loss due to non-recovery of this credited fund will come from.

In the same way there is ambiguity about who will bear the cost of accidental insurance coverage of 1 lack each.

Telecom connectivity and coordination between mobile companies & banks are other major issues. Hilly and tribal areas are primarily affected by these problems.

CONCLUSION AND SUGGESTIONS

Realization of inclusive growth mainly depends on impartial distribution of growth opportunities, financial and social benefits. And financial inclusion is considered as a major tool and opportunity for comprehensive growth. Services like Credit, saving, insurance etc. come under the roof of financial inclusion.

Though a number of efforts & steps have been taken in this regard by GOI in association with RBI. But the previously taken efforts are not sufficient enough to fully confront the financial exclusion issue. Pradhan Mantri Jan Dhan Yojna has been launched to overcome this, by ensuring banking facility to every household. So that more and more people may contribute positively in economic growth and development of the country. But the path to attain the desired outcome is not so easy with a number of potential hindrances. Financial inclusion should be seen both as business opportunity as well as social responsibility of banks. Financial literacy/awareness level should be increased. A proper coordination should be maintained among different stakeholders like govt, banks, SHGs, NGOs, civil societies etc. in order to place India at high economic growth position.

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