



## Perception of Weaker Segment Towards Pradhan Mantri Jan-Dhan Yojana A Conceptual Framework

### KEYWORDS

Financial, Banking, people

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**ABSTRACT** While it is a daunting challenge in size and scope, financial inclusion is also a great social and business opportunity. Among the potential businesses that will benefit from more inclusion are business correspondents who can bring simple banking services as well as insurance and even pension schemes to the poor. Financial inclusion is to extend the scope of activities of the organized financial system to include within its ambit people with low incomes.

### Introduction

Financial inclusion is the delivery of financial services at an affordable cost to low-income households. It is estimated that nearly 500 million Indians are not served well by the current financial system. There is a close connection between poverty and financial exclusion, which can lead to estrangement, disaffection and reduced participation in society by low-income families.

The governments of India and the Reserve Bank of India have been very concerned about financial exclusion and the great harm it causes to the society. The RBI has taken many initiatives to spread banking services such as expanding the number of rural bank branches as well as allowing the banking correspondent model.

The scale of the problem of financial exclusion can be daunting. Nearly half of the population and a majority in rural Indians do not have bank accounts. Less than 10% of India's 600,000 villages have a bank branch. Nearly 80% of the Indian population is without life or health insurance. Penetration of mortgages, mutual funds and pension products is also very low. Financial literacy levels are extremely low. Even though microfinance institutions have expanded very fast in the last five years, they still only cover about one fifth of low-income households and they meet only one tenth of the credit needs of the poor.

### Weaker Section:

People below the Poverty Line are in economically weaker section. The criterion for below the Poverty Line is that those who spend less than Rs.32/- per day. So those who spend more than Rs.32/- per day are all above the Poverty Line in India even a beggar will have to spend more than Rs.32 / per day if he were to survive

### Prime Minister's Jan Dhan Yojana:

The scheme was announced by Narendra Modi in his Independence Day address on August 15, 2014. This is a national mission on financial inclusion encompassing an integrated approach to bring about comprehensive financial inclusion of all the households in the country.

The plan envisages universal access to banking facilities with at least one basic banking account for every household, apart from access to credit, insurance and pension facility. The Prime Minister's Jan Dhan Yojana (PMJDY) has helped a majority of poor households in India open bank accounts; there are many activities of financial inclusion still pending

State Bank of India tops the list with 13.4 million accounts opened across its branches till November 15 this year. Bank of Baroda, which opened 4.04 million accounts, came in second, closely followed by Canara Bank with 3.92 million bank accounts. Among private lenders, HDFC Bank stood on top with 600,000 accounts followed by ICICI Bank that opened 490,000 accounts. Jammu & Kashmir Bank came next with 270,000 accounts and Axis Bank opened 190,000. Federal Bank opened 130,000 accounts as of November 15, 2014 this year. According to experts, both the RuPay debit cards and the accident insurance will be rolled out to all 75 million account holders

### Financial Inclusion Defined:

Rangarajan's committee (2008) on financial inclusion defines it 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." Financial inclusion is 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.



Sources: Report of the Rangarajan Committee on Financial Inclusion

The Committee on Financial Inclusion chaired by Dr. C. Rangarajan states that, the objective of financial inclusion is to extend the scope of activities of the organized financial system to include within its ambit people with low incomes. Through graduated credit, the attempt must be to lift the poor from one level to another so that they come out of poverty.

NABARD has identified 13 States with large population of the poor, but exhibiting low performance in implementation of the programme. The ongoing efforts of NABARD to upscale the programme in the identified States need to be given a fresh impetus. The Committee has recommended that NABARD may open dedicated project offices in these 13 States for up scaling the SHG - Bank Linkage Programme. The State Governments and NABARD may set aside specific funds out of the budgetary support and the Micro Finance Development and Equity Fund (MFDEF) respectively for the purpose of promoting SHGs in regions with high levels of exclusion.

The Vaidyanathan Committee Report has suggested an implementable Action Plan with substantial financial assistance. The implementation of the Revival Package would result in the emergence of strong and robust cooperatives with conducive legal and institutional environment for it to prosper. A financially sound cooperative structure can do wonders for financial inclusion given its extensive outreach.

#### Measures Taken by RBI for Financial Inclusion

**No-Frill accounts:** In November 2005, RBI asked banks to offer no-frills savings account which enables excluded people to open a savings account. Normally, the savings account requires people to maintain a minimum balance and most banks now even offer various facilities with the same. No-frills account requires no balance and is without any other facilities leading to lower costs both for the bank and the individual.

**Usage of Regional language:** The Banks were required to provide all the material related to opening accounts, disclosures etc in the regional languages.

**Simplify KYC Norms:** In order to ensure that persons belonging to low income group both in urban and rural areas do not face difficulty in opening the bank accounts due to the procedural difficulties, the KYC procedure for opening accounts has been simplified for those persons who intend to keep balances not exceeding rupees Rs 50,000/- and the total credit is not expected to exceed rupees Rs.1, 00,000/- in a year.

**Easier Credit facilities:** Banks have been asked to consider introducing General purpose Credit Card (GCC) facility up to Rs. 25,000/- at their rural and semi urban branches. GCC is in the nature of revolving credit entitling the holder to withdraw up to the limit sanctioned. The limit for the purpose can be set Based on assessment of household cash flows; the limits are sanctioned without insistence on security or purpose. The Interest rate on the facility is completely deregulated.

**Other rural intermediaries:** Banks were permitted in January 2006, to use other rural organizations like Nongovernmental organizations, self-help groups, micro-finance institutions etc for furthering the cause of financial inclusion.

#### Review of Literature:

Research Paper on, "An Analytical Study: Relevance of Financial Inclusion For Developing Nations" by Dr. Anupama Sharma and Ms. Sumita Kukreja, The study focuses on the role of financial inclusion, in strengthening the India's position in relation to other countries economy. For analyzing such facts data for the study has been gathered through secondary sources including report of RBI, NABARD, books on financial inclusion and other articles written by eminent authors.

Research Paper on, "Overview of Financial Inclusion in India", by C. Paramasivan and V. Ganeshkumar, Financial inclusion is aimed at providing banking and financial services to all people in a fair, transparent and equitable manner at affordable cost. This paper is an attempt to discuss the overview of financial inclusion in India.

#### OBJECTIVE

To analyze the impact of promotion of financial inclusion in terms of access to banks, savings, borrowing and insurance.

#### METHODOLOGY

The sample in this study is mainly from member of the population were chosen based on conveniently available to provide information. Coimbatore district is selected as the study area. The study is qualitative research using in depth interview to collect the data and use content analysis to explain the data. Based on Simple Random technique, the sample for the study has been calculated by 95% level of Significance. A sample of 400 respondents was chosen as the sample. The Coimbatore district into seven divisions i.e. Coimbatore North, Coimbatore South, Pollachi, Annur, Salem, Mettupalayam and Kinathukadavu as well Coimbatore city is divided into five zones i.e North, east, West, South and Central. After collecting the relevant information, primary and secondary data are transferred into quantitative terms by using statistical packages like SPSS.

#### References

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