Ilkogretim Online - Elementary Education Online, 2021; Vol 20 (Issue 3): pp. 4635-4642
http://ilkogretim-online.org
doi: 10.17051/ilkonline.2021.03.475

A Study Of Progress Made In Pradhan Mantri Jan Dhan Yojana In Terms Of Financial Inclusion

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ABSTRACT

The Pradhan Mantri Jan Dhan Yojna (PMJDY) programme to promote financial inclusion and aid greater populations in escaping the cycle of poverty. India also suffers from a lack of infrastructure and human development, similar to other low- and middle-income nations. The program's success, meanwhile, partly hinges on how well it is carried out and on other governance concerns. Launched to promote financial inclusion in India, the PMJDY initiative. However, no significant research has been done to evaluate the impact of the PMJDY plan, which promotes financial inclusion, on India's economic development. The main goal of financial inclusion in a developing nation like India is to make banking and financial services accessible to all citizens at fair prices and without any kind of discrimination. When the excluded masses become locked in the vicious cycles of poverty, financial inclusion becomes necessary.

KEYWORDS: Progress Made, Pradhan Mantri Jan Dhan Yojana, Financial Inclusion, human development, economic development.

INTRODUCTION

Financial inclusion when all individuals, especially those at the bottom of the social and economic ladder, have quick, cheap, and timely access to core financial services. Financial Inclusion, in other words, is the broad supply of low-cost, high-quality financial services to previously underserved populations, such as low-income households and small and medium-sized enterprises.

In most third-world countries, people living at the bottom of the economic pyramid consider easy access to money to be as vital a public good as safe drinking water, free primary education, and so on. A nation's whole financial system benefits from efforts to increase financial inclusion as part of a wider strategy of economic inclusion. Since it brings a

substantial section of India's productive sectors into the formal financial network, financial inclusion is crucial for India's developing economy since it has the potential to unleash their creative potential and increase domestic demand through income and consumption growth. The growth of credit and investment by financial institutions is a multiplier for the economy as a whole when it is fueled by increased savings from a large portion of the bottom of the pyramid (BoP) population made possible by financial inclusion efforts that give people in that group access to formal savings arrangements. Greater participation of the BoP/under-banked population in the economy through the formal financial system may lead to better financial conditions and living standards, reduced poverty, the creation of financial assets, the generation of income, and increased resilience in the face of macro-economic and livelihood shocks. To put it another way, it encourages those who previously lacked access to banking to open accounts. In the long run, this is good for the economy of the country.

Financial Inclusion is:

NFA + Banks+ FIs+ IT = Financial Inclusion.

Where,

NFA - No frills bank account

FIs- financial Institutions

IT- Information Technology

Reaching the goal of financial inclusion requires three distinct steps. For people who have been shut out of conventional financial services, it is crucial to reintegrate them into society. Using one's bank account regularly, connecting it to other financial services, and obtaining access to all accessible financial instruments are the last phases in the Financial Inclusion lifecycle.

Financial Literacy- To get started with Financial Inclusion, one has to have a fundamental grasp of financial items, their intended applications, the operation of financial institutions, and the process of opening and managing a bank account. Financial education, as defined by the Reserve Bank of India (RBI), is the process by which consumers and investors increase their knowledge of financial markets and services.

Opening a Bank Account Establishing a bank account is the second step towards Financial Inclusion. Simply expressed, it paves the path for people who would otherwise be unable to use banking services to do so.

Delivering financial services, Most people think that the cost of supplying the service is the greatest in the value chain, as the customer can't afford anything other than the lowest feasible transaction costs. Today, more and more microfinance and microcredit products are

being sold through the business correspondent (BC) model. Using this strategy, a financial institution's agent (who may or may not be an employee) travels to various locations in order to distribute loans and collect payments from consumers.

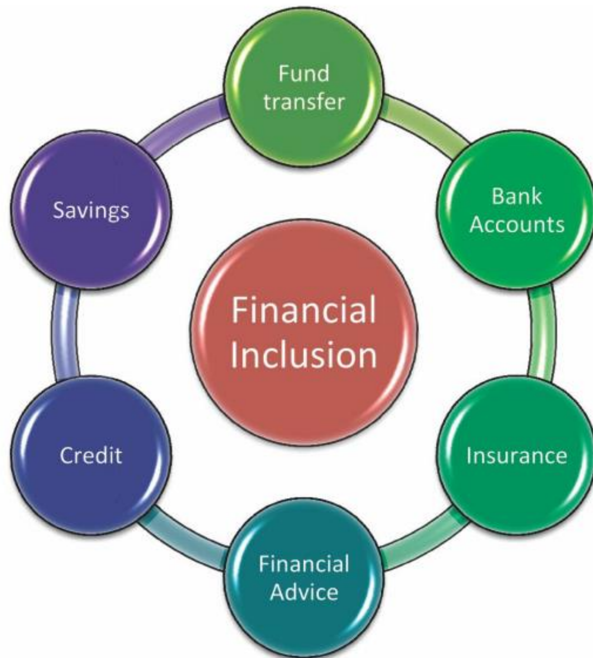

Figure 1: Representing FI Services

Nowadays, "Financial Inclusion" really just refers to ensuring that everyone can have a simple savings account. The concept of financial inclusion has been expanded to a global scale. Simply having a bank account, either checking or savings, is not adequate proof of financial inclusion. Any plan to increase financial inclusion must ensure that consumers have easy access to low-cost savings accounts, long- and short-term credit, insurance, pensions, mortgages, and money transfers. Out of India's total 19.9 crore households, only 6.82 crore have access to banking services. Only 4.16 crore out of India's total of 13.83 crore rural households have access to even the most fundamental forms of financial services, according to the World Bank. When looking at urban regions, just 49.52 percent of households have access to financial services. Almost half of India's adult population does not have a checking or savings account. Increased financial inclusion helps the economy grow and alleviates poverty. For poverty alleviation, growth in the inclusive financial sector has two distinct yet interdependent advantages. Development of the financial sector can aid in the fight against poverty and inequality, which in turn might lead to better living conditions for the poor.

COMPONENTS OF FINANCIAL INCLUSION:

In Fig 2, we see how the interplay between the six pillars of inclusion determines a family's financial inclusion. Although education mostly refers to financial literacy training and

development, it may also refer to other sorts of training and improvement. Financial literacy education is becoming an integral part of many nations' initiatives to increase access to banking services.

Figure 2: Components of Financial Inclusion

The objective here is to provide training in the safe use of formal financial services to individuals who have not traditionally had access to or awareness of such services. Although financial education is important, it is difficult to show via empirical study that it alone improves a family's financial habits or outcomes. Other elements must be optimized so that financial knowledge may be applied to real-world issues. In addition, households struggle to put this knowledge into practise if they have little social support networks. A household's social, peer, familial, and community networks can act as a kind of social insurance or social capital, and are hence referred to as "social elements" here. Poor infrastructure and antiquated tools also appear to have a role. There must be the appropriate infrastructure in place for financial inclusions to take place (such as smartphones, POSs, banking agents, mobile towers, and the internet). As a result of their research, international organisations have concluded that if financial inclusion is going to reach a point where it can produce behavioral change, it must encompass features of these other dimensions within the scope of national financial inclusion agendas and strategies.

The term "financial inclusion" can refer to a large variety of distinct areas of study. The four requirements listed below, in descending order of difficulty, are used by the majority of definitions of Financial Inclusion.

1. **Access –** Ability to make use of banking and other regulated financial institutions is the emphasis here. To grasp different degrees of access, it may be helpful to have an understanding of the various challenges involved in opening and using a bank account for any purpose.
2. **Quality –** The second component of financial inclusion is known as quality. Clients' insights, sentiments, and worldviews about the current state of the financial services industry are covered. The quality metric would be used to measure the breadth and depth of the client's understanding of the available alternatives and their possible repercussions, as well as the nature and depth of the connection between the financial service provider and the customer.
3. **Usage –** Financial inclusion's third component is usage. Current usage places a greater premium on the dependability of financial services. To put it another way, knowing how often and for how long something is used isn't enough to evaluate its use. It's important to look at how a person or family makes use of a variety of financial services in order to get a sense of usage.
4. **Welfare –** Financial Inclusion's fourth component is welfare. The most difficult consequence to evaluate after delivering a financial service is the impact on clients' lives, including changes in spending, business activity, and wellbeing.

MAJOR FOCUS OF FINANCIAL INCLUSION

The two objectives listed below are what Financial Inclusion as a whole aims to achieve:

- **Economic Objectives**

By raising people's disposable income and access to savings, Financial Inclusion may be a tool for lifting low-income and disadvantaged nations out of poverty. The economic objectives of Financial Inclusion are as follows:

Larger Market for the financial system:

In order for the financial system to be able to service the needs of a larger population, there has to be a larger consumer base, which can fuel the growth of both new financial institutions and current banking networks.

Mobilization of Savings:

If people with modest incomes can use banking services then, they'll start saving in banks, which is fantastic for national development and growth since savings fuel the launch of new enterprises and the creation of new employment.

Equitable Growth:

A level playing field is the main objective of Financial Inclusion. Sustaining growth rates is crucial for ensuring that the benefits of economic expansion are distributed equally across all sectors of society. If economic growth is distributed equally across all sectors, it can help eliminate inequalities in income, wealth, investment, and savings. This is why Financial Inclusion is such a powerful force in developing and emerging economies.

- **Social Objectives**

The following societal objectives are pursued by Financial Inclusion:

Sustainable Livelihood:

People with low incomes and few assets can get loans to help them invest in their futures and build sustainable economies via things like education, company startup, farming, and other means of subsistence.

Because of this, Financial Inclusion is improving people's living conditions now and in the future.

Poverty Alleviation:

By bridging the income gap between the poor and the rest of society, the Financial Inclusion strategy seeks to decrease poverty. Unquestionably, as the economic condition improves, so will the people's social standing.

Wider Inclusion in Society:

Financial inclusion cannot be fully realized without widespread access to financial services, especially in rural regions.

FINANCIAL INCLUSION POLICY IN INDIA

After gaining independence, India made socialist reforms a priority. Banks are powerful players in the economy because they control people's savings and are relied upon as a source of credit. There is a rich history of efforts to increase financial inclusion in India. Soon after gaining independence in July 1969, the government took over 14 of the largest privately-owned banks, signaling the beginning of the first drive towards financial inclusion. The goal of the policy shift represented by the nationalization of banks was to make financial services more accessible to the poor. The Government of India (GOI) reasoned that if banks were nationalized, credit would be spread more widely, improving access to banking services in

rural areas that were underserved and bolstering the economy's backbone industries like agriculture, small business, exports, self-employment, and so on.

In an effort to increase financial inclusion, the Reserve Bank of India and the Government of India have launched a number of coordinated measures since 2005, however the results have been disappointing. As part of its "financial inclusion initiative," the Reserve Bank of India (RBI) implemented a number of programs to expand people's access to financial services. These programs included the opening of new bank branches, the creation of post office savings banks (POSBs), targeted lending to specific industries, the initiation of new banks in rural areas, and the formation of SHGs. RBI's efforts were unsuccessful since they did not reach a large enough audience. Therefore, with the aid of numerous SHGs and NGOs, the "Business Facilitator and Business Correspondent Model" was put into place to encourage greater financial inclusion.

CONCLUSION

The profits being collected by banks are more than the costs associated in operating the PMJDY programme, notwithstanding the fact that no specific budgetary allocations have been made for scheme implementation. The PMJDY programme has been crucial in introducing previously unbanked citizens to the banking system, paving the way for the smooth rollout of subsequent social welfare schemes. When it comes to expanding people's access to financial services, the PMJDY initiative has been quite fruitful. Individuals who have opened PMJDY accounts have profited greatly from the program's social offerings. Financial institutions have benefited greatly from the PMJDY scheme's social advantages, and this trend is expected to continue. The PMJDY scheme's social advantages have greatly boosted the financial institution's bottom line. The PMJDY system has been heavily criticized in many different contexts, including its planning, execution, and continuance. The benefits of the PMJDY system much outweigh the expenses associated with putting it into action.

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