



A Multidisciplinary Indexed International Research Journal

ISSN: 23203714

Volume: IX



ADHYAYAN
INTERNATIONAL
RESEARCH
ORGANISATION

FINANCIAL INCLUSION THROUGH PMJDY: PRE & POST DEMONETIZATION

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ABSTRACT

In this digitalized globe, the banking sector has grown up tremendously but Even after 69 years of Independence, less-than 2/3rd of the house hold in the India have access to banking facilities. Exclusion of large no of community from any access to financial services inhibits the growth of the country and there is evidence that financial Inclusion is crucial to eradicate poverty & financial untouchability. From the learning of past schemes, our Hon'ble Prime Minister: Shri. Narendra Modi has taken a forward step on Financial Inclusion as one of the top most priority project of the govt. In this regard, He has taken two steps i.e, step1. Launched PMJDY scheme on 28th August 2014,for weaker section of the community as integrated approach for the financial freedom & financial literacy. And the second step / measure Demonetization. Demonetization is the act of stripping acurrency unit of its status as legal tender. The Government of India declared that the five hundred and one thousand rupee notes will no longer be legal tender from mid night, 8thNovember 2016.It is an attempt to address there solve against corruption& washout black money (unaccounted currency)and counterfeit notes.This research paper aims at briefly reviewing the status of Indian financial inclusion, the pre &post demonetization Progress of PMJDY(Pradhan Mantri Jan Dhan Yojana)and its issues & challenges, and also offers suggestions for achieving Inclusive Growth. It is concluded that financial inclusion shows positive and valuable changes because of change in strength and technological changes. And the data gathered from secondary sources, descriptive & analytical methodology have been adopted for the data presentation. For analysis, all the condensed data being presented in two-way tabular form with cross-sectional comparative study and appropriate statistical tools have been applied in order to draw the inferences.

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Key words: Demonetization, Financial Inclusion, financial literacy & PMJDY.

INTRODUCTION

The concept of Financial Inclusion is not a new one. It has become a catchphrase now and has attracted the global attention in the recent decades. Lack of accessible, affordable and appropriate financial services has always been a global problem. It is estimated that about 2.9 billion people around the world do not have access to formal sources of banking and financial services. Therefore in India, Financial inclusion is intended to connect people to banks with consequential benefits, ensuring that the financial system plays its due role in promoting inclusive growth in one of the biggest challenges facing the emerging economies. From the learning of past schemes failure, our Hon'ble Prime Minister: Shri. Narendra Modi has taken a forward steps on Financial Inclusion as one of the top most priority project of the govt. In this regard, in his 1st Independence Day speech August 15, 2014 he announced a new scheme 'PRADHAN MANTRI JAN DHAN YOJANA (Prime Minister People money scheme) (PMJDY)' as a National Mission for comprehensive financial inclusion. And PMJDY launched on 28th August 2014, for

weaker section of the community as an integrated approach for the financial freedom & financial literacy, PMJDY works on the principles of "SAB KA SATH SAB KA VIKAS" & "Mera Khata Bhagyavidhata", which means 'my account is divine'. Financial inclusion provides formal identity, access to payments system & deposits to all the households in the country with financial services, with particular focus to empower the weaker sections of society, including women, small and marginal farmers and laborers, both rural and urban. And as 2nd step on 8th November 2016 demonetization policy has been imposed for rupees 500 & 1000 currency notes. It is an attempt to address the resolve against corruption & washout black money (unaccounted currency) and counterfeit notes, and cashless transaction system has been encouraged.

REVIEW OF LITERATURE

In order to clearly understand the gravity of the financial inclusion topic these research paper an extensive review of various reports, working papers, dissertations and academic journals were reviewed. Out of which, few of them have been listed here.

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Partap Singh & virender singh (2016), this study is an attempt to understand the impact of demonetization on Indian economy and the authors also highlighted the probable consequences of the demonetization decision on various economic variables and entities.

Suresh. A , Srinivasa Narayana & Vijay Kumar(2016), the authors attempted to discuss the overview of The Jan Dhan Yojana, an ambitious financial inclusion program to eradicate financial untouchability by opening bank accounts for poorer section. They also tried to provide evidence on impact of Pradhan Mantri Jan Dhan Yojna in India, the various issues, challenges, and present status of financial services in the country.

Veeramani. S (2015), the author, emphasized on Financial Inclusion and the Progress of PMJDY and its issues & challenges she also suggested that the government should give due focus on motivation and counseling to PBs and RRBs, establishment of adequate number of Financial Literacy Centers (FLC), measures to improving connectivity and infrastructure as an ongoing continuous endless process by expecting full extendable support from various stakeholders like other Departments

of the Central Government, State Governments, RBI, NABARD, NPCI and other Banking and Financial Institutions including public & private sector service providers and Gram Dak Sewaks in rural areas & finally citizens of the country.

Patnaik BCM, Satpathy I & Supkar A (2015), this study is an attempt to understand the status of financial exclusion in the eastern region of India and particularly capital region of Odisha. The sample population of 137 for their study comprises of household servants, domestic helps, migrant & local construction labourers, rickshaw / cart pullers, taxi drivers and other contractual low income staff at different private institutions. Based on which, the authors tried to suggest new directions for mainstreaming the financially excluded sections hopes and expectation of the customers of the Odisha Gramin Bank (OGB). The authors have taken note of the reforms initiated by the Government of India but to what extent the aspirations of the customers are being taken care is the present issue discussed.

Sonam Kumari Gupta (2015), the author paid attention on trend of accounts opened under PMJDY Scheme and suggested

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strategies to conduct awareness on financial literacy activities.

Harpreet Kaur & Kawal Nain Singh (2015), studied the recent trends in financial inclusion in India with special reference to Pradhan Mantri Jan Dhan Yojana, highlighting its key areas and suggested strategies to ensure maximum financial inclusion for the disadvantaged and unbanked areas.

Rajanikanta Khuntia (2014), the author highlighted on the recent trends in financial inclusion in India with special reference to PMJDY and presented measures to improve financial inclusion.

According to **Kumar V (2014)**, financial inclusion is the delivery of financial services at affordable costs to sections of disadvantaged and low-income category people of society. It is intended to connect people to financial markets & financial institutions (banks) with consequential benefits, ensuring that the financial system plays its due role in promoting inclusive growth in one of the topmost challenges facing the emerging economies of the world.

Divyesh Kumar (2014), discussed the overview of financial inclusion using

PMJDY scheme in India. It is revealed that, it is the greatest step ever taken to eradicate poverty is financial inclusion through PMJDY. The author also suggested that the success of this scheme constant review and regular check is very much essential.

Brij Mohan (2014), in his study, analyzed the performance, benefits, difficulties and future prospects of PMJDY scheme in order to achieve the results of financial inclusion.

Sumanthy M (2013), in this study the author noticed that, by ignoring the underprivileged and the disadvantaged is never going to develop India as a nation in a remarkable way. Even then the banks have shown a growth in both volume and complexity as well as improvements in financial viability, competitiveness and profitability, but still they have not been able to bring a vast segment of the population, particularly the underprivileged sections into the bracket of basic banking services. Author, suggested that the serious efforts are required to introduce aggressive policies with a proper regulatory framework in order to eradicate financial exclusion.

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Neha Dangi & Pawan Kumar (2013), the authors concentrated on current Situation of Financial Inclusion in India and Its Future Visions with factors affecting access to financial services including FIP.

NEED FOR THE STUDY

In the present digital era, the banking sector has grown up tremendously but usurious money lenders are continuing to exploit the poorer section of the society, economic and social inequalities have increased along with high growth rates in India, because more than 1/3rd of the households are excluded from banking activities. The importance of financial inclusion arises from the problem of financial exclusion as a result. Inclusive growth is essential for sustainable development and equitable distribution of wealth and prosperity. In order to achieving inclusive growth, Hon'ble prime minister of India has launched PMJDY with the motto of opening at least one bank account for each household as a "national priority". Thus, the Mission not only brings the excluded sections into the financial mainstream but also makes the transfer of benefits of various subsidy schemes of the government more efficiently.

Inclusive growth has been unanimously and globally recognized as one of the key elements for eliminating poverty and narrowing down the glaring urban-rural economic disparity, but it is quite difficult for the formal financial institutions to penetrate into every nook and corner of India to financially include our huge unbanked population. And demonetization as the 2nd step imposed as an integrated approach for achieving financial freedom & financial literacy.

OBJECTIVES OF THE STUDY

1. To study genesis of financial inclusion in India
2. To study the current status of financial inclusion in India
3. To study the Progress of PMJDY- pre & post demonetization

RESEARCH METHODOLOGY

The present study is descriptive in nature. Data has been gathered through secondary source, such as RBI bulletin, reports on trend and progress of banking in India, statistical abstracts of Telangana state, websites of RBI, PMJDY, NABARD and Ministry of Finance, Government of India (GoI), and other useful sources reputed

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journals & newspapers. Descriptive & analytical Methodology has been adopted for the data presentation. The collected data processed by using SPSS Package for applying appropriate statistical tools, in order to understand and analyze the implications of the data. For analysis, all the condensed data being presented in two-way tabular form with cross-sectional comparative study and appropriate statistical tools have been applied in order to draw the inferences.

SCOPE OF THE STUDY

The scope of present study is limited to the present status of financial inclusion through Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme pre & post demonetization.

GENESIS OF FINANCIAL INCLUSION IN INDIA

In recent decades, economic and social inequalities have increased along with high growth rates in India. It is not possible for us to sustain our growth process if we fail to include a huge number of vulnerable groups in our mainstream society. As a result, Inclusive growth has become a national

policy objective of our Government and it is possible only through

Financial Inclusion in India, the concept of financial inclusion was first incorporated in 2005, when it was introduced by K.C. Chakraborty, the chairman of Indian Bank. Mangalam Village turns out to be the first village in India where all households were provided banking facilities. Norms were relaxed for those people who were planning to open accounts with annual deposits of less than Rs. 50,000. General credit cards (GCCs) were issued to the poor and the underprivileged with a outlook to help them access easy credit. In January 2006, the Reserve Bank allowed commercial banks to make use of the services of non-governmental organizations (NGOs/SHGs), micro-finance institutions, and other civil society organizations as intermediaries for providing financial and banking services. These intermediaries could be used as business facilitators or business correspondents by commercial banks. The bank asked the commercial banks in different regions to start a 100% financial inclusion campaign on a pilot basis. As an outcome of the campaign states or U.T.s like Pondicherry, Himachal Pradesh and Kerela declared 100% financial inclusion in all their

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districts. Reserve Bank of India's visualization for 2020 is to open nearly 600 million new customer's accounts and service them through a diversity of channels by leveraging on IT. However, illiteracy and the low income savings and lack of bank branches in rural areas remain to be an obstruction to financial inclusion in many states and there is inadequate legal and financial infrastructure.

Swabhiman scheme: The financial inclusion programme of the UPA government was focused on expanding the banking networks in rural and unbanked areas. The initiative called "Swabhimaan" that started in 2011 set a target to ensure a bank branch in all the villages with population of 2,000 or more by March 2012. The banks in general were directed to open "no-frill" accounts. The "no-frill" accounts are the basic savings accounts with no minimum balance and fewer paperwork requirements. More than 80 per cent of accounts opened under financial inclusion programme of UPA government have remained dormant. Out of the 5.92 lakh villages in the country, only 74,000 villages could be covered by this scheme. Besides, only 3.9 million account holders out of 18.2 million no-frills accounts availed overdraft

facilities amounting to Rs155 crore.

DATA ANALYSIS

CURRENT STATUS OF FINANCIAL INCLUSION IN INDIA

In India, various initiatives were taken up by RBI / GoI in order to ensure financial inclusion. These include like Nationalization of Banks, Expansion of Banks branch network, Establishment & expansion of Cooperative and RRBs, Introduction of PS lending, Lead Bank Scheme, Formation of SHGs and State specific approach for Govt sponsored schemes to be evolved by SLBC, in 2014 PMJDY Scheme & in 2016 demonetization. During 2005-2006, RBI advised Banks to align their policies with the objective of financial Inclusion. Further, in order to ensure greater financial inclusion and increasing the outreach of the banking sector, it was decided to use the services of NGOs/SHGs, MFIs and other Civil Society Organizations as intermediaries in providing financial and banking services through use of Business Facilitator and Business Correspondent Model. In India, after imposition of demonetization, digital banking has been increased tremendously.

Table:1. Households Penetration of availing banking Services as per 2001 and 2011 Census

Households	As per Census 2001			As per Census 2011		
	Total number of households	Number of Households Availing Banking Services	Percent	Total number of households	Number of Households Availing Banking Services	Percent
Rural	138,271,559	41,639,949	30.1	167,826,730	91,369,805	54.4
Urban	53,692,376	26,590,693	49.5	78,865,937	53,444,983	67.8
Total	191,963,935	68,230,642	35.5	246,692,667	144,814,788	58.7

Source: <http://financialservices.gov.in/banking/Overviewofefforts.pdf>

Based on above tabular data, it is to be observed that, the accessing banking services in rural and urban has been increased from 30.1 percent, to 54.4 percent and 49.5 percent to 67.8 percent respectively in the years 2001 and 2011. As per the table rural and urban people are participating in the financial services with the banking sector has grown up tremendously.

PROGRESS OF PMJDY: PRE & POST DEMONETIZATION

Progress of PMJDY -Pre demonetization: Inclusive growth is necessary for sustainable development and equitable distribution of wealth and prosperity . Achieving inclusive growth is

the biggest challenge of India. In a democratic country like India, bringing 600 million people living in rural India into the mainstream is the biggest concern. The challenge is to take the levels of growth to all section of the society and to all parts of the country. The best way to achieve inclusive growth by **strengthening PMJDY** since independence, significant improvement in India's economic and social development made the nation to grow strongly in the 21st century. PMJDY is an integrated approach for the financial freedom & financial literacy of the weaker section of the community.

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Successful Journey of PMJDY: On the inaugural day, a record 1.5 crore bank accounts were opened across the country, the largest such exercise on a single day so far not possible in the world.

Guinness Book of World Records: The scheme PMJDY has surpassed the target of 10 crore bank accounts by opening 14.7 crore accounts till March 2015. In fact, the scheme got a certificate from the ‘Guinness Book of World Records’ for most bank accounts opened in one week as part of the Financial Inclusion Campaign is 18096130 was achieved by department of financial services, Government of India during August 23-29, 2014, officially amazing

The present plan status: The present plan pursues digital financial inclusion with special emphasis on monitoring by PMJDY

Mission headed by the Finance Minister. According secondary sources (PMJDY websites & news papers) it is found, that in Madhya Pradesh has reported 100% saturation (in terms of coverage of all households with at least one bank account) on 30.11.2014. There were 1.53 crore Households of which 1.03 Crore Households were having bank accounts. 49.96 Lac new Households were covered and 58.64 Lac accounts were opened. States of Goa, Kerala & Tripura, Union Territories of Chandigarh, Pondicherry and Lakshadweep and Nineteen districts of Gujarat had already covered all households under PMJDY with at least one bank account. As on 01.12.2014, 8.39 Crore accounts have been opened under PMJDY.

Table: 2. PMJDY ACCOUNT STATUS WITH PSBs, RRBs & PBs: AS ON 08.06.2016

(All Figures in Crores)

Category	No of accounts opened						No of Rupay Cards	Balance in Accounts	% ofZero balance Accounts
	Rural	%	Urban	%	Total	%			
1.PSBs	9.7	44	7.65	35	17.35	79	14.6	30462.05	25.89
2.RRBs	3.37	15	0.55	3	3.92	18	2.75	6639.51	21.81
3.PBs	0.5	2	0.31	1	0.81	3	0.77	1439.12	37.69
Total	13.57	61	8.51	39	22.08	100	18.12	38540.68	25.6

Secondary Source: PMJDY Progress Report -2016

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As per the above table no 2, it is noted that the 22.08 crores accounts have been opened out of which 61% in rural & 39% in urban. 82% RuPay Cards have been issued as on 8/6/2016.

Accounts maintaining with Zero balance is biggest issue for banks it is found from the above table no 2, the overall 26% these accounts are remained as zero balance under the PMJDY as on 08.06.2016, as per the banking norms these 26% accounts would be fallen under dormant of the banking records. In these 26% accounts there is no possibility of a transaction till money flows into them. The performance of Public Sector Banks (PSBs) is at the top with more than 79% contribution in PMJDY followed by

Regional Rural Banks (RRBs) and Private Banks (PBs) with 18% and 3% respectively. 44% in rural & 35% in urban bank accounts are opened by PSBs and rest of the portion covered by RRBs & PBs accordingly.

Recurring progress of PMJDY- Post demonetization: As per the below table no 3, it is observed that the 27.31 crores accounts have been opened out of which 61% in rural & 39% in urban. 78 % RuPay Cards have been issued, 24% of the accounts are remained as zero balance as on 25.1.2017. The overall performance of Public Sector Banks (PSBs), Regional Rural Banks (RRBs) and Private Banks (PBs) are 80%, 17% & 3 respectively.

Table: 3. PMJDY ACCOUNT STATUS WITH PSBs, RRBs & PBs: AS ON 25.01.2017

(All Figures in Crores)

Category	No of accounts opened						No of Rupay Cards	Balance in Accounts	% of Zero balance Accounts
	Rural	%	Urban	%	Total	%			
1.PSBs	12.04	44	09.78	36	21.82	80	17.17	52455.97	24.80
2.RRBs	03.96	15	00.63	2	04.59	17	3.38	12458.89	20.85
3.PBs	00.54	2	00.36	1	00.90	3	0.83	2410.12	35.01
Total	16.54	61	10.72	39	27.31	100	21.38	67324.98	24.47

Secondary Source: PMJDY Progress Report -2017

CROSS SECTIONAL COMPARATIVE ANALYSIS

As per the above table no 2 &3, it is noted that the post demonetization results 24% ($27.31-22.08/22.08*100$) increased in opening of bank accounts under PMJDY. Pre & post demonetization, there is no significant change in opening of bank accounts in Rural & Urban but 18% change seen in issuance of Rupay cards and maintaining balance in accounts have been improved to the extent of 75% by declining 5% in zero balance accounts.

The Overall rural & urban both the areas PSBs are being performed well than others. It is also found that the various issues and challenges in effective implementation of scheme include several riders for life insurance cover, poor telecom connectivity, lack of infrastructure, duplication and dormant accounts, poor performance of PBs, remuneration of Business Correspondent (BC) and other operational costs associated with the scheme, and credit facility without the assessment of credit worthiness.

CONCLUSION & SUGGESTIONS

As a result, Inclusive growth has become a national policy objective of our Government and it is possible only through Financial Inclusion. For achieving high degree of

financial inclusion and inclusive growth, there should be proper financial inclusion regulation in our country and access to financial services should be made through SHGs and MFIs. The PMJDY is advanced financial inclusion program, because it had focus on individual households. And post demonetization high emphasis given on financial inclusion in rural, semi - urban and urban areas. The provision of basic accounts with linked insurance coverage, debit card facilities, overdraft facility, zero account facilities etc., to the poor households“ benefit, economic activity, stability and the ability to absorb shocks. The PMJDY scheme can meet the challenges, improving banking infrastructure such as e-banking, bank branches, ATMs, good and reliable BCs and overall monitoring for effective financial inclusion. For building customer awareness E-banking and M-banking training and education programs should be conducted. The PMJDY Mission would require to work as an ongoing continuous endless process by expecting full extendable support from various stakeholders like other Departments of the Central Government, State Governments, RBI, NABARD, NPCI and other Banking and Financial Institutions including public & private sector service providers and

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Gram Dak Sewaks in rural areas & finally citizens of the country.

LIMITATIONS OF THE STUDY

Though the study is presented on scientific lines, it suffers with the following constraints

1. Bank officials are hesitating to provide data due to their busy schedule. And financial matters are confidential & sensitive in nature.
2. The published time series data are not always comparable due to non-availability of required data.
3. The selected study operations are limited to financial inclusion through PMJDY scheme pre & post demonetization.

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