

Financial Inclusion and PMJDY in Odisha

Debananda Behera,

PhD Scholar,
A & A Economics Utkal University,
Odisha, India.

ABSTRACT

In Odisha, household saving is the largest part of domestic saving due to largest part of middle income earner. For the mobilization of saving Government has implemented many schemes such as PMJDY, PMJJY, PMSBY and MUDRA etc. There is the need to broaden the participation of rural financing markets by proposing diverse financial mechanisms to access financial services with affordable cost. This paper emphasizes to view the progress of financial inclusion and PMJDY in Odisha. It is found out that rural income holders have more PMJDY account than the urban people. The numbers of zero balance PMJDY accounts are quite large. Numbers of PMJDY account holders in private sector banks are larger in urban area than rural area.

Keywords: PMJDY, Financial Inclusion, NPA, Rupay card.

INTRODUCTION:

Financial inclusion is a keyword to develop penetration, availability, accessibility and affordability. Financial awareness and financial education can develop the financial behavior. Financial situation of country is changed by providing basic financial necessities by the banks. Attempts have been made by the policymakers and financial institutions to bring large sections of the rural population within the banking system having realized that financial inclusion is the essence of sustainable economic growth and development in a country like India. Inclusive growth becomes impossible without financial inclusion. Financial inclusion is also must for the economic development of the country. Without Financial Inclusion we cannot think of economic development because a large chunk of total population remains outside the growth process. Indian government has packaged it in a mission mode and made it an achievable target. In order to reduce the degree of “financial untouchability” the new government has come up with a big bang action plan which is popularly known as “Pradhan Mantri Jan-Dhan Yojana”. PMJDY being one of the major initiatives of the current Govt. to focus on financial Inclusion in the country is to see to have achieved its initial targets of 100 percent household banking access in rural areas.

Importance:

Poverty, inequality and exclusion continue to dominate socio-economic and political discourse in Odisha as well as in India. Since the inception of planning in India, poverty eradication is a important goal of development. Various poverty alleviation programs have been operated to bridge the gap between the poor and rich. Financial Inclusion has the ability to generate positive externalities. It leads to increase in saving, investment and therefore accelerate the process of economic growth. It provides platform for inculcating the habit of saving money, especially amongst the lower income category.

These efforts do have multiplier effect on the economy as a whole through higher saving pooled from vast segment of bottom of pyramid population access to formal saving argument resulting in expansion in credit and investment by banks. Financial Inclusion has now been viewed as a remedy to plug gaps and leaks in distribution on Govt. benefit and subsidies through direct benefit transfer to beneficiaries' bank accounts rather

than through subsidizing products and making each payment. Thus, on the whole Financial Inclusion has the potential to bring in the unbanked masses into formal banking system.

Definition:

1. C. Rangarajan Committee: 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,
2. RESERVE BANK OF INDIA: Financial Inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups in particular at an affordable cost in a fair and transparent manner.
3. Raghuram Rajan committee: Financial Inclusion broadly defined refers to universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products.
4. CGAP (the Consultative Group to Assist the Poor): Financial Inclusion may be defined as the process of ensuring access to financial services and adequate credit when needed by vulnerable group such as weaker section and low income group at an affordable cost.
5. G20: Financial Inclusion refers to a state in which all working age adults have effective access to credit, saving, payment and insurance from formal service providers. "Effective Access" involves convenient and responsible service delivery, at a cost affordable to the customer and sustainable for the providers, with the result that financially excluded customers use formal financial services rather than existing informal options.

Over the years, the Indian government has introduced several schemes that have not only helped Indian citizens improve their financial situations, but have also contributed to the country's economy. Some remarkable financial scheme in India are PradhanMantri Jan DhanYojana (PMJDY), SukanyaSamriddhiYojna (SSY), PradhanMantriJeevanJyotiBimaYojna (PMJJBY), RashtriyaSwasthyaBimaYojana (RSBY), National Social Assistance scheme, PradhanMantri Mudra Yojana, KisanVikasPatra in Indian banking and postal. In rural sector the scheme such as PradhanMantri Jan DhanYojana (PMJDY) and KisanVikashPatra (KVP), have a significant impact on accessibility of financial services.

PradhanMantri Jan DhanYojana (PMJDY):

The PradhanMantri Jan DhanYojana (PMJDY) is a scheme that aims to provide all the citizens of India – especially the poor masses – a bank account, credit facility, insurance cover and debit card. The aim of this scheme is highlighted by its slogan "MeraKhata – BhagyaVidhaata". In the long run, the scheme will also allow the poorer sections to avail themselves of subsidies and overdraft facilities through their bank accounts, which are intended to eliminate money-lenders, commission agents and corruption. The main aim of PMJDY is ensuring access to various financial services like availability of basic bank account, remittance facility, insurance and pension to the excluded sections. In order to enhance financial inclusion, PMJDY is a land mark scheme across the country as it is a best panacea for financial exclusion. It was announced by prime minister on 15th august 2014 and was launched on 28th august 2014. About 859.17 lacks bank account are opened having balance of 1269387.49 lacks in 2015 across India.

OBJECTIVES OF PMJDY:

- Account holders will be provided bank accounts with no minimum balance.
- Rupay debit cards will be issued.
- Accidental insurance cover of ₹ 1 lakh.
- After six months of opening of the bank account, holders will be eligible for ₹ 5,000 overdraft from the bank.
- With the introduction of new technology introduced by National Payments Corporation of India (NPCI), a person can transfer funds, check balance through a normal phone which was earlier limited only to smart phones.
- Mobile banking for the poor would be available through National Unified USSD Platform (NUUP) for which all banks and mobile companies have come together.

Six basics pillars of PMJDY:

1. Universal access to banking facilities
2. Providing Basic Banking Accounts with overdraft facility and RuPay Debit card to all households

3. Financial Literacy Programme
4. Creation of Credit Guarantee Fund
5. Micro-Insurance
6. Unorganized sector Pension schemes like Swavalamban

Objectives:

- To access the progress of Pradhan Mantri Jan Dhan Yojana (PMJDY) in Odisha.
- To look into the status of financial inclusion in Odisha after the implementation of PMJDY.
- To access the supply side constraints of financial inclusion in Odisha.

REVIEW OF LITERATURE:

Bhavani T.A. and Bhanumurthy N.R.(2011) attempted to study financial access of unorganized manufacturing enterprises and studied the factor influencing financial access in India. Econometric techniques such as probit and tobit models are used to analyze financial services. The variables like enterprises availing loan from formal financial system and financial resource gap i.e. the proportion of investment that is not financed by formal financial system are used for measuring the accessibility of financial services. The result indicates that proportion of owned asset has significant and positive influence on financial access of manufacturing enterprises.

Chattopadhyay (2011) assessed the extent of financial inclusion in the country in general and West Bengal in particular. Index was calculated in 23 states from 2006-07 till 2009-10. Data have been collected from the various households in two/three blocks in each of the three districts of East Midnapore, Birbhum and Murshidabad in West Bengal. A total of 329 households (HHs), in three districts of East Midnapore (103 HHs), Birbhum (108 HHs) and Murshidabad (118 HHs) were taken up for the survey. Maharashtra had the highest value of IFI followed by Karnataka. West Bengal and Gujarat ranked 11th and 12th respectively in financial inclusion. About 77.5 per cent households have admitted adequate banking facilities in the locality and 90 per cent households operate their bank accounts by personal visits while only 5.9 percent households used the ATM cards.

Nandru et.al.(2015) identified the demographic factors which influence the extent of financial inclusion in Pondicherry region. The data for this research are based on individual level survey which has been collected through structured questionnaire from individuals with a sample of 200 people based on convenience sampling method in Pondicherry region. Likert scale with Strongly Disagree representing (1) and Strongly Agree representing (5). Study reveals that the higher income, better education, gender and various occupation groups are influenced on frequency of usage, ease of accessing banking products and physical distance of bank branch. These are greatly associated with the accessibility and use of banking services as determination of financial inclusion in Pondicherry region.

Patnaik (2015) examined the level of financial access to banking services of the urban unorganized workforce and the reasons for not accessing banking services. He also examined the number of respondents availing credit from non-institutional sources and the respective reasons and the awareness on the available banking products and services. The city of Bhubaneswar which is the capital city of the state of Odisha is shortlisted. The sample size considered for this survey was 300 out of which 137 responses were received. The variables were finalized on the basis of a pilot study conducted on the sample size of 30. Both 19% of male and 7% female respondents are having access to bank accounts. The age group of 30 to 40 has the highest 18.18% of access to bank accounts. The data reveals that the respondents which belong to the income group of 1000 to 2000 per month do not have access to bank accounts. 80% of the respondents which belong to the income group of greater than 4000 per month indicate the highest access to bank account. Out of the total respondents, 97 % of the respondents having no education do not have access to bank accounts. Out of the total respondents, 101 (63% males and 36% females) are borrowing from non-institutional sources.

RESEARCH METHODOLOGY:

The study is purely based on secondary data. To show the progress of PMJDY the data are used from SLBC, Odisha. Descriptive statistics such as ratio, percent and average are used as the research techniques. Graphs, diagram and tables are used to depict the trend in PMJDY in Odisha. The study includes the result and discussions of the status of financial inclusion after the implementation of PMJDY from the period of 2014 to 2018.

RESULT AND DISCUSSION:

Table 1

Number of Account opened in PMJDY in Odisha up to 31.03.2018								
S. No.	Bank	E KYC		With out Aadhaar		Sub Total		Total
		Rural	Urban	Rural	Urban	Rural	Urban	
1.	PSBs	1,037,750	479,712	5,981,107	2,823,997	7,018,857	3,303,709	10,322,566
2.	RRBs	35	223	1,583,767	51,114	1,583,802	51,337	1,635,139
3.	Private Sector Bank	85,282	27,419	127,299	216,764	212,581	244,183	456,764
4.	Total	1,123,067	507,354	7,692,173	3,091,875	8,815,240	3,599,229	12,414,469

Source: SLBC,Odisha

In the status of PMJDY, public sector banks have highest number of account in PMJDY up to 2018. In the presentation of E-KYC PSBs have about 1,037,750 accounts followed by the private sector i.e. 85,282 and lastly by RRBs in rural sector. Likely in urban sector bank accounts having E-KYC, PSBs have highest number i.e. 479,712 followed by private sector and RRBs. In rural area, 5,981,107 number of account are opened in public sector bank without Aadhaar followed by RRBs and private sector. Likewise in urban area in Odisha 2,823,997 PMJDY accounts are opened in public sector followed by private sector and RRBs. In total rural sector has highest number of PMJDY account than urban area. More accounts are opened in RRBs in comparison to the number of account in private sector in rural area. But in urban area more PMJDY accounts are opened in private sector in comparison to RRBs.

Table 2

Implementation of Pradhan Mantri Jan Dhan Yojana (PMJDY) as on 31.03.2018	
No of accounts opened from 16.08.2014 to 31.03.2018 - 124.14 lakhs	Rural 88.15 lakh Urban 35.99lakh
No. of accounts opened with Zero balance	17.90 lakhs
% of Zero balance accounts to total account opened	14.41%
Total deposit balance under PMJDY accounts.	Rs 3141.78 Crore
No. of RuPay Cards issued	94.48 lakhs
No. RuPay Cards activated	53.46 lakhs
No. of Aadhaar seeded accounts % of Aadhaar seeding	86.40 lakhs 69.60%

Source: SLBC,Odisha

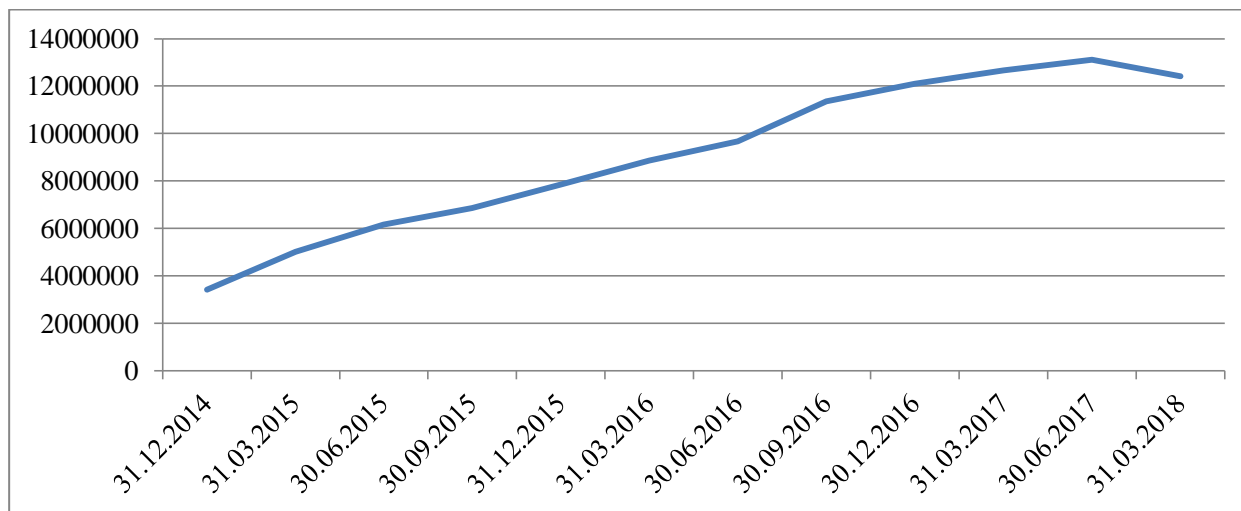
The progress of PMJDY accounts from 2014 to 2018 is 124.14 lakhs. In rural area more PMJDY accounts i.e. 88.15 lakh are opened than the urban area i.e. 35.99 lakh. The total number of accounts opened with zero balance is 17.90 lakhs. So about 14.41 is percent of zero balance accounts to total account opened. In 2018 total deposit balance under PMJDY accounts is Rs 3141.78 crore. About 94.48 lakhs Rupay cards are issued in Odisha. There are 86.40 lakhs Aadhaar seeded accounts in Odisha. About 69.60 percent of accounts are Aadhaar seeding.

Financial inclusion entitles three concepts like banking penetration, availability and usage. On the basis of the concept of inclusive growth, Prime minister Narendra Modi has launched the very ambitious programme Jan Dhan Yojana on 28thAugust,2014 after the announcement on 15th August,2014 with the slogan of MERA KHATA BHAGYA VIDHATA.

BANKING PENETRATION:

Growth of BSBD account in Odisha:

Graph 1



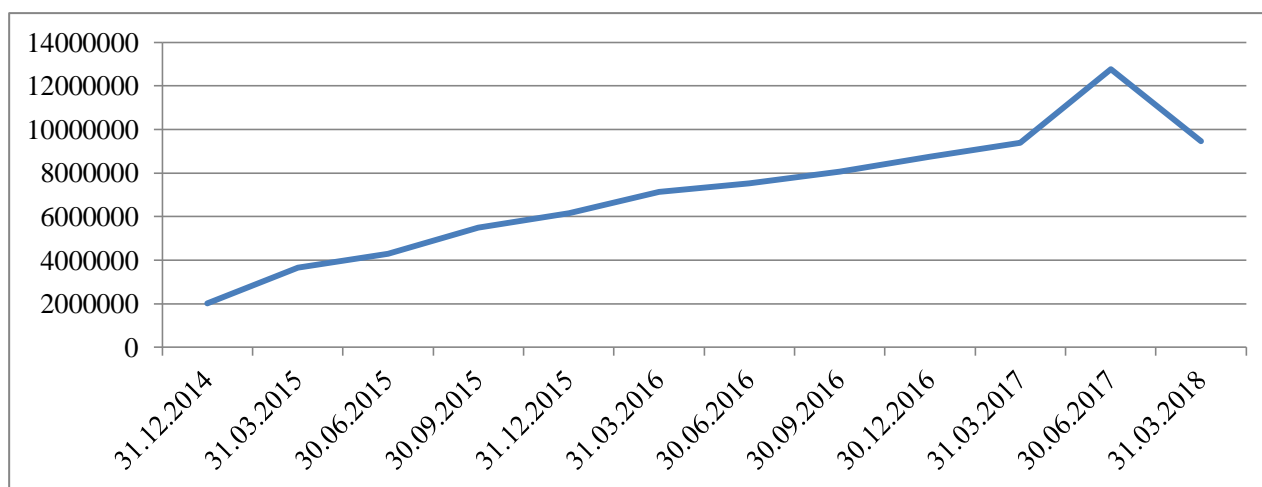
Source: SLBC, Odisha

Banking penetration means how extent the income holders use the banking services. In 2014, there was about 3426202 number of BSBD account in all district of Odisha. The numbers of BSBD accounts have increased to 5015569 in 31st march 2015. Likely in 30th june 2015 the number of BSBD account increased to 6163309. In 30th june 2017 the number of BSBD account was highest i.e. 13122065. But in 31st march 2018 the number of BSBD account declined to 12414469.

Rupay is an Indian domestic card scheme which is launched by National Payment Corporation of India on 26th march, 2012. This card facilitates all electronic payments in all banks. This word is derived from two words i.e. Rupee and Payment, In PMJDY account also Rupay card can be issued.

Rupay Card Issued In Odisha:

Graph 2



Source: SLBC, Odisha

Availability:

Availability encounters the supply side of banking service. It explains the extent of financial systems that are ready for providing financial services to customers. We can depict the availability of bank branches and number of ATM in Odisha for the banking transaction.

A. Number of Bank branches in Odisha:

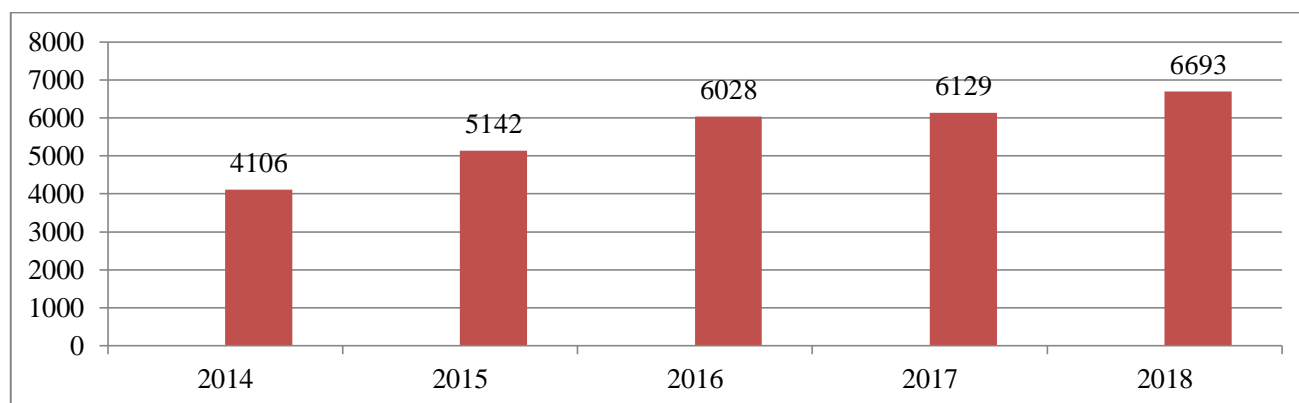
Table 3

Year	Public sector	Private sector	RRBs	Co-operative	Total
2012	2157	216	886	337	3595
2013	2313	269	901	341	3824
2014	2637	350	951	343	4281
2015	2896	444	983	343	4666
2016	3041	514	991	343	4889
2017	3128	569	991	343	5031
2018	3155	623	992	338	5108

Source: SLBC, Odisha

B. Availability Of ATM In Odisha

Graph 3



Source: SLBC, Odisha

C. Position of ATM installation in the State as on 31.03.2018

Table 4

SL. No	ATM position	Number
1	No. of Onsite ATMs	3207
2	No. of Offsite ATMs	3486
3	Total No. of ATMs	6693
Out of which		
i	No. of ATMs in Rural Branch	2292
ii	No. of ATMs in Semi-Urban Branch	2299
iii	No. of ATMs in Urban Branch	2102

Source: SLBC, Odisha

Usability:

If one person has a bank account and ATM card that does not mean that the person is using the bank account. Usability of the bank account can be concluded from the amount of deposit and advance of the account holder.

Table 5: Trend of deposit and advance after implementation of PMJDY

Year	Deposit (in crore)	Advance (in crore)	C-D ratio(percent)
2015	208753.59	150203.91	71.95
2016	219482.54	172434.02	78.56
2017	253115.9	174539.42	68.96
2018	275511.08	192113.66	69.73

Source: SLBC, Odisha

Supply side constraints:

If the amount of interest and installment of principal has remained past due, then it is called as Non- Performing Asset. NPA is the current challenge to the banking system. Banking sector growth can be hampered for the high amount of NPA. The sectorwise NPA and schemewise NPA are explained below.

Table 6: Sector wise NPA & Overdue % as on 31.03.2018

S. N.	Sector	NPA Percent	Overdue percent
1	Short Term Crop Loan	12.40	42.96
2	Agriculture Term Loan	14.56	41.76
3	Agriculture Allied	12.90	43.62
4	Total Agriculture	12.94	42.92
5	MSME Sector	11.91	32.71
6	Education Loan	18.36	46.12
7	Housing Loan	3.78	22.23
8	Total Priority Sector	11.87	38.94
9	Total Advance	10.66	36.70

Source: SLBC, Odisha

Table 7 : Scheme wise NPA & Overdue % as on 31.03.2018

S. N.	Sector	NPA Percent	Overdue Percent
1	PMEGP & PMRY	25.36/19.06	64.54
2	SHG	14.20	30.24
3	NULM	9.94	72.63
4	Weaver Credit Card	12.95	76.43

Source: SLBC, Odisha

CONCLUSION:

No doubt measures have been taken to mobilization of saving before the launching of this programme but the new programmes seem to be cross all the borders of mobilization of saving.

Every new thing to start is very easy but the proper implementation is very difficult task. In PMJDY about 1.7 crore accounts are opened on the first day of launching the programme, but 76.81 percent on the next day of launching. Involvement of people in financial system and formal banking sector is necessary for the development of country. Although, efforts have been made in this direction to achieve objectives of financial inclusion, yet there are challenges in way of success. The PMJDY is playing its role in great manner by ensuring mass participation of people and providing them low cost financial services and banking facilities, still there is need to impart financial knowledge and awareness among people about benefits of banks and basic banking facilities. Banks have to open more branches that are in rural areas and banking outlets in remote areas along with ATM. Innovative and well-designed products, which can cater the needs of poor and needed people, PMJDY have to make efforts to achieve its targets by opening new accounts and ensuring less and less financial exclusion on continue basis.

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