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EMPOWERING RURAL PEOPLE THROUGH FINANCIAL INCLUSION: ANALYSIS OF PMJDY AS A TOOL FOR RURAL DEVELOPMENT IN NORTH EAST INDIA

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Abstract

There is no denying the fact that finance is an essential part of an economy for overall development of the society. A strong financial system is foremost requirement for sustainable growth. Financial inclusion stands for delivery of appropriate financial services at an affordable cost, on timely basis to weaker section that lacks access to the basic banking services. Though banking sector has witnessed tremendous changes in recent periods in terms of technological advancements, internet banking, online money transfers, etc, "financial exclusion" in the North Eastern Region was a reality. Almost 60% of north-east India is poor as per the MPI (Multi-dimensional Poverty Index) Developed by the Oxford Poverty and Human Development Initiative (OPHI) for the United Nations Development Programmes (UNDP). Because of law and order problems, the Government apparently was not able to focus on development issues of the region.

However, the Govt. of India has launched the PMJDY (Pradhan Mantri Jan Dhan Yojana) on 28 August 2014 with the objective to include people in the formal financial sector so that further empowerment can be initiated. The PMJDY has created Guinness World record for opening highest no of savings bank account in January 2015. It paves the way for the government's ambitious plan to transfer annual subsidy, beneficiary of MNREGS, IAY etc. directly to bank accounts of beneficiaries. This paper studies how this scheme has worked in NORTH East till its inception and what impact it can create in future, how people of rural NE can be benefitted by the facilities available under the scheme and how it will lead to development of rural people in NER.

Key Words: Financial Inclusion, PMJDY, Rural development, Inclusive growth

Introduction:
Finance is an essential part of an economy for overall development of the society. A strong financial system is foremost requirement for sustainable growth. Financial inclusion stands for delivery of appropriate financial services at an affordable cost, on timely basis to weaker section that lacks access to the basic banking services. Financial Inclusion is important for improving the living conditions of poor farmers, artisans and rural nonfarm enterprises. Financial Exclusion, in terms of lack of access to credit from formal institutions, is high for small and marginal farmers. Apart from formal banking channels, the role of MFIs, NABARD, Self Help Group movement is important to improve Financial Inclusion. Banks need to take bold decisions and reach out to rural India with strategies and Business models which are beyond the realm of conventional thinking. They need to identify the emerging opportunities in rural India and innovate with low cost platforms, lean branch models, low cost subsidiaries, cost effective technologies, leverage on Aadhar, shared Infrastructure and build collaborative business models to serve in Rural India.

Objectives of the Study:
The basic objective of this study is to understand the conceptual framework of the Pradhan Mantri Jan Dhan Yojana and its contribution to the North Eastern region in terms of financial inclusion. Attempt is also made to understand its role in overall rural development of the society of the region.

Financial inclusion:
Financial inclusion can be described as the provision of affordable financial services, viz saving, credit, insurance services, access to payments by the formal financial systems to those who are unbanked. But financial inclusion concept is not a new one in Indian economy. Financial inclusion does not stand for delivery of financial services for all at all cost. But it means that the delivery of financial services and products at affordable costs of excluded sections of population and low income groups. It plays a crucial role to remove poverty from the country. Reserve Bank of India in its attempt to provide financial accessibility to the unbanked groups initiated efforts like Bank Nationalization in 1969, establishment of RRBs and introduction of SHG- bank linkage etc. Financial inclusion is therefore a tool to provide equal opportunities to vast sections of population specially in rural areas to access mainstream financial services for better life, living and better income.

Need for Financial Inclusion:
In absence of formal and certified banking systems, people in rural places are not able to channelize their savings. Through Financial Inclusion saving habit can be developed by educating people to utilize their funds in various Financial Instruments rather than investing in building, lands and bullion etc. Secondly, Absence of formal credit channels, farmers and deprived section of society are dependent mainly upon the private money lenders who charge high interest rates. This money lending does not result in increase in GDP in the country. By providing easy finance through formal channels like banks, micro-finance institutions and Non Banking Financial Institutions & cooperative credit societies, entrepreneurial spirit can be

developed in the society. Therefore a strong emphasis on financial inclusion is given so that overall development of the rural population can be achieved.

PMJDY scheme and Its Features:

Government of India with the help from Reserve Bank of India (RBI) and National Bank for Agriculture and Development (NABARD) initiated several schemes to promote financial inclusion in India.

Pradhan Mantri Jan-Dhan Yojana (PMJDY) is National Mission for Financial Inclusion to ensure access to financial services, namely, Banking/ Savings & Deposit Accounts, Remittance, Credit, Insurance, Pension in an affordable manner. Objective of "Pradhan Mantri Jan Dhan Yojana (PMJDY)" is ensuring access to various financial services like availability of basic savings bank account, access to need based credit, remittances facility, insurance and pension to the excluded sections i.e. weaker sections & low income groups. This deep penetration at affordable cost is possible only with effective use of technology. The Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme was first heard when the Prime Minister of India announced the scheme on 15 August 2014 in his Independence Day speech. The scheme was launched on August 28, 2014 in a nationwide campaign. Approximately 2 crores of savings bank accounts were opened on that day.

Salient Features or benefits of the scheme are:

1. *Interest on deposit:* Customers can earn interests on their deposit at normal rate of interest prescribed the bank.
2. *Accidental insurance cover of Rs.1.00 lac for the account holders*: All the account holders under the scheme will be eligible for an accidental insurance of Rs. 1.00 lac for free. The account holders are given a Rupay Debit card and the debit card itself act as the policy of the customer
3. *No minimum balance required to obtain an account*: There is no need to maintain a minimum balance in the account, nor it needs any money to open an account under the scheme. However regular transactions need to be maintained to enjoy all the facilities.
4. *Life insurance cover of Rs.30,000/- (Only up to 26.01.2015)*: Apart from the Accidental insurance, a life insurance plan of Rs. 30000/- under LIC is offered to the customers without charging any premium.
5. *Easy Transfer of money across India to all banks:* Money can be transferred from these accounts pan India through NEFT and RTGS.
6. *Beneficiaries of Government Schemes will get Direct Benefit Transfer (DBT) in these accounts.* : Government has announced that it will transfer all the government benefits, subsidies, etc. to these accounts electronically so that the benefit can reach the customer without engagement of third party, it will reduce the chances of corruption. On the other hand this kind of deposit mobilization will also ensure that the accounts will be remain active and will not become dormant. Other products like Pension, insurance products are also proposed to transact through these accounts.
7. *Overdraft facility:* After satisfactory operation of the account for 6 months, an overdraft facility will be permitted to the account holders. Overdraft facility of Rs.5000/- is available in only one account per household, preferably lady of the household.

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Table I. List of PMJDY account holders as on 31.01.2015

Sl No.		No. of Accounts (in lacs)			Balance in accounts (in lacs)
		Rural	Urban	Total	
1	Public Sector Banks	533	451.47	984.48	817463.04
2	Regional Rural Banks	184.89	32.98	217.87	159948.08
3	Private Banks	32.26	20.12	52.38	72551.5
	Grand Total	750.15	504.57	1254.73	1049962.62

It can be seen from the table that till 31/01/2015 in a span of only five months it has crossed the 12.54 crores of savings bank account establishing the fact that 100 % inclusion is achieved. It can also be seen that although the accounts opened under the scheme was zero balance, a huge amount of Rs.10499.6 crore was deposited as savings in bank under this scheme. The idea of bringing the money from people's home to bank was somehow successful under the scheme.

How PMJDY is different from earlier Financial Inclusion Initiatives:

The financial inclusion plan of Govt has taken place at different times. But several difficulties were faced to implement it nationwide. Therefore PMJDY was designed in a mission mode so that it can overcome the shortcomings of earlier approaches and contribute to the development of the society as a whole. The following table shows the difference in approach of the scheme with the former approaches:

Table II.

Earlier Approach	PMJDY Approach
Villages with population greater than 2000 covered; thus limited geographical coverage	Focus on household; Sub Service Area (SSA) for Coverage of the whole country.
Offline accounts opening - Technology lock-in with the vendor	Only online accounts in CBS (Core banking System)of the Bank
Focus on account opening and large number of accounts remained dormant	Account opening to be integrated with DBT, credit, insurance and pension
Cumbersome KYC formalities	Simplified KYC/e-KYC in place as per RBI guidelines
No guidelines on the remuneration of the Bank Mitr (Business Correspondent). Banks went generally with Corporate BCs who used to be least expensive to them	Minimum remuneration of the Bank Mitr (Business Correspondent) to be Rs. 5000/- (Fixed+ Variable)
Financial literacy had no focus	The rural branches of banks to have a dedicated Financial Literacy Cell

Providing credit facilities was not encouraged	OD limit after satisfactory operations / credit history of 6 months
Monitoring left to banks	Financial Inclusion campaign in Mission Mode with structured monitoring mechanism at Centre, State and District level

Contribution of PMJDY toward Financial Inclusion in NER:

The banking sector has witnessed tremendous changes in recent periods in terms of technological advancements, internet banking, online money transfers, etc, "financial exclusion" in the North Eastern Region was a reality. Because of poor infrastructure, law and order problems, the Government apparently was not able to focus on this issue of the region. However, the strong implementation of PMJDY has made the people of the region financially inclusive. The Financial Literacy Programmes conducted under the scheme has made a significant contribution in making the people financially literate.

The following table shows the extent of this scheme in the North East states:

Table III.

States	Allotted Wards-SSAs	Wards-SSAs Survey Done	Total House Hold	Covered House Holds	House Hold Coverage %
Assam	4,925	4,925	5,013,404	5,011,228	99.96
Arunachal Pradesh	236	236	197861	197861	100
Meghalaya	539	539	477182	477182	100
Manipur	576	576	514604	514604	100
Mizoram	228	228	181946	181806	99.92
Nagaland	413	413	334034	333762	99.92
Tripura	767	767	755041	755041	100
Sikkim	175	175	131086	131086	100

The eight states of North East are now financially inclusive under the scheme as per information provided by the Banks. In case of earlier initiatives it was not possible to cover all population. It is also to be noted that the Direct Benefit Transfer of LPG (DBTL) has started and now the subsidy benefit is directly credited to the accounts. The government has now declared that these accounts will be linked with Aadhar no. and hence benefits of all kind will be transferred directly to bank accounts only. People of the region can now enjoy the service of insurance and overdraft facilities and hence making it a unique and powerful tool to empowerment. A large section of the north east population is from rural areas. Thus making a strong foundation for future generations to enjoy hassle free financial service from the state.

Conclusion: The PMJDY has made a strong statement in the NE region and hence under this the Payment of wages / social security payments / other benefit will be directly credited into bank accounts. It created several opportunities for banks to play an active role in rural development of the region. People of the rural areas who hesitated to go the bank due to their ignorance can build up the confidence that the government has initiated to remove their unbanked status. All social security schemes will benefit the rural population directly. The inducement of technology into banking will make people empowered enough to face the challenge of the growing economy. PMJDY has made it's first move of opening accounts a grand success. Now regulatory bodies, banks and other institutes should intensively work on to create awareness by educating people about finance so that people of the region can extract the best out of the scheme.

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