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## **AN ANALYSIS ON THE CHANGED BANKING HABITS USHERED IN BY JAN DHAN YOJANA SCHEME WITH REFERENCE TO FINANCIAL INCLUSION**

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### **Introduction**

*Indian economy has been nurtured traditionally by effective banking network since the time the banks were nationalized. Earlier, the sector was in disarray and the shape of Indian economy was in an infancy stage. Ever since, the structure of the economy was modeled on planned way through five year plans, there was a momentum in the economy which propelled the need and necessity for having widespread business activities through a reliable mechanism.*

This perceived void was exploited to the hilt by various players who were operating in the informal sector, in other words, the promoters of black economy in the form of money lenders, private funding agencies which charged exorbitant interest rates and squeezing repayment schedule.

### **Nationalization of Banks**

The nationalization of banks in 1969 and subsequent annexure of another set of banks in 1980 marks a watershed moment in the financial arena of the country. It has virtually opened the doors of economy for formalization of financial transactions in an organized way. The general public and others started reposing their faith on the banking system because of the underlying assurance offered by the bank for their finances.

The banking habits inculcate a sort of savings habits among the people. Thereby, channelizing the huge proportion of personal disposal income towards nation building purposes. An economy is enriched by the higher proportion of saving inclination displayed by the people as the funds are crucial for taking various initiatives to the common good.

JAN DHAN YOJANA -Flagship Programme of the many initiatives of the government to improve the banking network and accessibility of funds to needy in a most hassle free manner, the government has introduced this scheme to usher in a climate of financial freedom unshackled by procedural mechanism.

The government is quite aware and conscious of the dire need which requires attention from policy makers to address the social disequilibrium is, taking care of financial needs, in the first place. This fact has been attested by multilateral agencies of the world when it comes to devolution of funds as one of the goals of development in a sustainable way.

Banking was considered to be an luxury until recently, in rural areas. The primary reason for this trend was the perceived gaps between banks outreach and the real needs of the people with minimal documentary evidences. But, the advent of this scheme, has revolutionalised the atmosphere by enabling everyone with no definite source income to open a bank account with zero balance.

This is considered to be a significant feat given the huge population and the banking network our country is endowed with . The talk of financial inclusion gaining currency only in the event of everyone is connected through a mechanism like banks with proper authentication of credentials of every account holder. It enables the system to proceed further by routing all intended benefits and schemes to the concerned without any pilferage.

The rural India is an significant stakeholder in the nation building by accounting for 60 % of the population of the country whom have opened 30 crore accounts since the launch of the scheme. Though it was started as no frills account, it has grown into a movement where the no of people with zero balance is getting reduced significantly speaks about the success of this scheme. It all began with close to 80% with zero balance by the time it was launched in 2014 has come down to 24% as of now.

The success of this scheme owe a lot to the subsidy being granted through bank accounts, of late. The DBT (Direct Benefit Transfer)scheme made the people to open the bank account in all areas howsoever remote or unbanked they may.

### **Financial Infrastructure**

The financial infrastructure is paramount for realization of any financial goal. Realizing this, the government is taking special efforts in creating the same by concentrating on resources like UPI,BHIM etc., to be equipped to the desired level. Unbanked areas being banked is the primary goal of the government by way promoting real infrastructure and virtual ones in a big way. The change in the financial landscape of the country is reflected in many parameters like share index, credit rating and global ranking with reference to geo political factors etc.,

As per the data available on this front till date, the figures have been quite encouraging as the global rating agencies have given a thumbs-up to the initiative through higher ranking. The increase in banking network and coverage have brought in lot of benefits and even spills over to sectors like insurance and allied services in a big way.

### **Credit Off take**

The sign of growing economy is capital formation and devolution of funds through credits. But since the inception of this scheme, it has been bit tardy. It has been a challenge despite of bringing a huge proportion of people into the system as no meaningful progress in possible without corresponding increase in the usage of banking services.

The main cause for dip in credit off take in right proportion to tremendous increase in customer base is attributable to the inherent problem of lack of documentary evidence which can be furnished by potential borrowers in availing bank services. Hence, the solution lies in ensuring unhindered access to bank services by positively tweaking the procedural formalities.

There are lot of changes taking place in credit disbursement policies amongst the lenders by resorting to checking the credit standing of potential borrowers before approving and disproving credit proposals. It proves to be the stumbling block for many first generation users of banking services as they are not in the database of CIBIL rating agencies by having availed institutionalized credit as yet.

### **Mutual Funds**

Straying away from traditional investment avenues, the government has earnestly made strenuous efforts in popularizing non traditional investment avenues like mutual funds. The mutual funds have been quite popular owing to vast majority of investment options with attractive rates in varied amounts. It has been a major attraction to small time investors as it provides flexibility and versatility in choosing schemes of their choice. This heightened awareness on various products of mutual funds is completely attributable to wider reach and accessibility of bank services at relatively easy manner.

### **The Road ahead**

The financial arena of the country is quite bright in terms of catering to the investment needs of investors of all hues. This has been affirmed by a slew of reform measures initiated in banking, insurance and other sectors through the policy initiatives of the government. Even, the FDI cap on investment in many sectors, notably , the defence sector has been revised thereby enabling the private sector to chip in.

The financial services participants have been the driving force all across the world in financial emancipation in a big way and revolutionizing the financial sector in grand

manner. Now, the conditions are ripe for major overhaul and changes in all spheres to transform the Indian financial system.

### **Conclusion**

The foundation for building a vibrant financial system with effective, useful participation of all stakeholders is the key for success of all well intended schemes and programmes initiated by the government. In fact, it shows the success of the programme by looking into the voluntary participation rather than the initial enthusiasm which may drain off in quick point of time when comes with forcefulness and lack of purpose.

The success of JAN DHAN YOJANA scheme is an ample proof that the higher the goals, the greater will be the enthusiasm to achieve the same when adequately backed by sufficient resources and people.

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