

Financial inclusion through good governance in India: A case of Pradhan Mantri Jan Dhan Yojana

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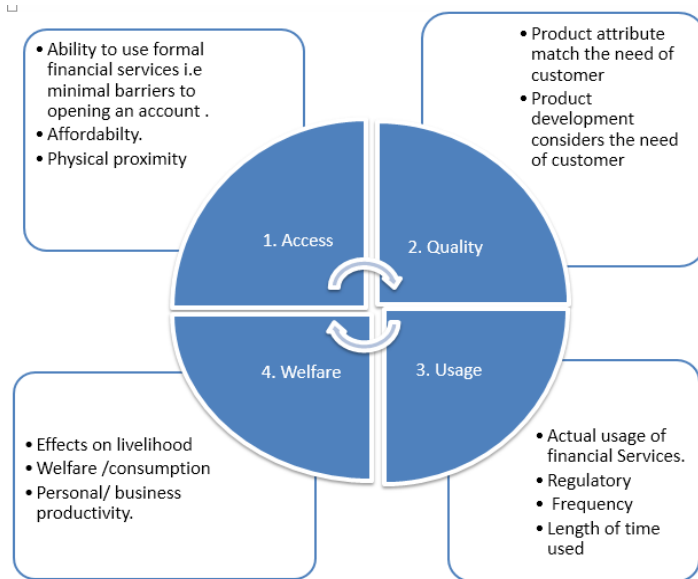
Abstract

Pradhan Mantri Jan Dhan Yojana (PMJDY) is one of the key steps towards financial inclusion. This scheme would be helpful to build uniform socio-economic development in Indian economy because there are so many government welfare policies are running through state and Central governments with different goals or aim. For Proper channelization of financial benefit to ultimate beneficiaries financial inclusion is one of important aspect to execute these policies in effective manner. In this research paper, I would like explore how this government policy will be helpful for good governance because Good governance is about the processes for making and implementing decisions. It is not about making ‘correct’ decisions, but about the best possible process for making those decisions. In process of implementation welfare polices Financial included household could be easily include with welfare policy Direct benefit transfer (DBT) of LPG is one the example to remove mediators and transfer the benefit to ultimate beneficiaries. In addition, I would like to suggest that corrective action by which can bring in future for more Good governance and dynamic improvement in economy.

Keywords: financial inclusion, PMJDY, Social Security, Welfare of people, Good governance
JEL classification: G21,G28

Introduction

PMJDY announced on 15 august 2014 by respected Prime Minister of India and lunched 28 august 2014 with core development philosophy "Sab Ka Sath Sab Ka Vikas". Basic objective of this policy is one bank account and basic credit facilities to each household of the country basic aim this policy enable the people to come out from strong grip of moneylenders and unorganized sources. Because these unorganized source of credit become the cause of exploitation of financial excluded people. So this is land mark policy towards financial inclusion in India. Seeding of this policy was from *Dr. C. Rangarajan committee* which was formed for assess the financial inclusion and committee reported in 2008. This report has highlighted importance of the financial inclusion and interpreted financial inclusion as catalysts of socio- economic transformation of vulnerable people. Financial Inclusion is one important factor for those people who are in socio-economically underprivileged condition because financial exclusion is hurdle for economic growth and development in this respect PMJDY is one of the important catalyst for economy development and good governance it would be helpful Direct Transfer Benefit (DBT) and reduce leakage of subsidies (Razi, 2015)^[17].*“The Jan Dhan Yojana is an extraordinary effort by India on financial inclusion of the people” World Bank chief ,Jim Yong Kim.* Financial inclusion is dimension it include following aspect access, quality, welfare and Usage which are expected through this policy.



Source: Report was developed by Bankable Frontier Associates, commissioned by the Alliance for Financial Inclusion (AFI). February.

2.1 Steps to achieve and Indicators of financial Inclusion

Access	Each households at least one bank account&
Quality	Make available debit card & overdraft facility
Usage	Direct benefit transfer (DBT).
Welfare	Ilac insurance facility to each account holder

From this (PMJDY) government targeted holistic vision for financial inclusion first access means one bank account to each household this is expansion of banking services and motivate the people to access the bank account second thing quality mean product according need of customer debit card and credit facility is one of the important product line in banking services. Third is Usage regular usage of banking service is one of the key challenge for zero balance account opened in period of PMJDY so direct benefit transfer (DBT) will helpful to motivate regular usage of banking services and fourth dimension of financial inclusion is welfare of people through providing 1 Lakh accident cover which an important step for those venerable people who unable to save this amount for unforeseen situation may be this too much small but it is helpful in immediate situation in death of guardian of family. Apart that this will helpful social development benefits and subsidies directly to the beneficiary bank account it will reduce leakage in subsidies which will lead Good Governance in economy. Bhuvaneshwari P & Pushpalatha P (2013)^[10]. discuss in their research that after independence mostly poor people was in grip of local money lenders high penetration of banking services reduce such kind of

exploitation. Kunthia R (2014) highlighted in his research paper about PMJDY that this policy will help to cover those unbanked mass which are excluded from basic financial services and it is also opportunity for banking sector. B.C.M. *et al* 2015 has analysis in his review paper that PMJDY will bring remarkable positive changes in socio economic status of country because after independence this is comprehensive policy for financial inclusion which targeted to cover each household of country rather than area.

Good Governance

Governance means systematic process of taking decision and implementation of those decision. It can be taken many aspects like Corporate governance, International governance etc. Good Governance can be identified with by 8 major

Characteristics that is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law (<http://www.unescap.org/sites/default/files/good-governance.pdf>).

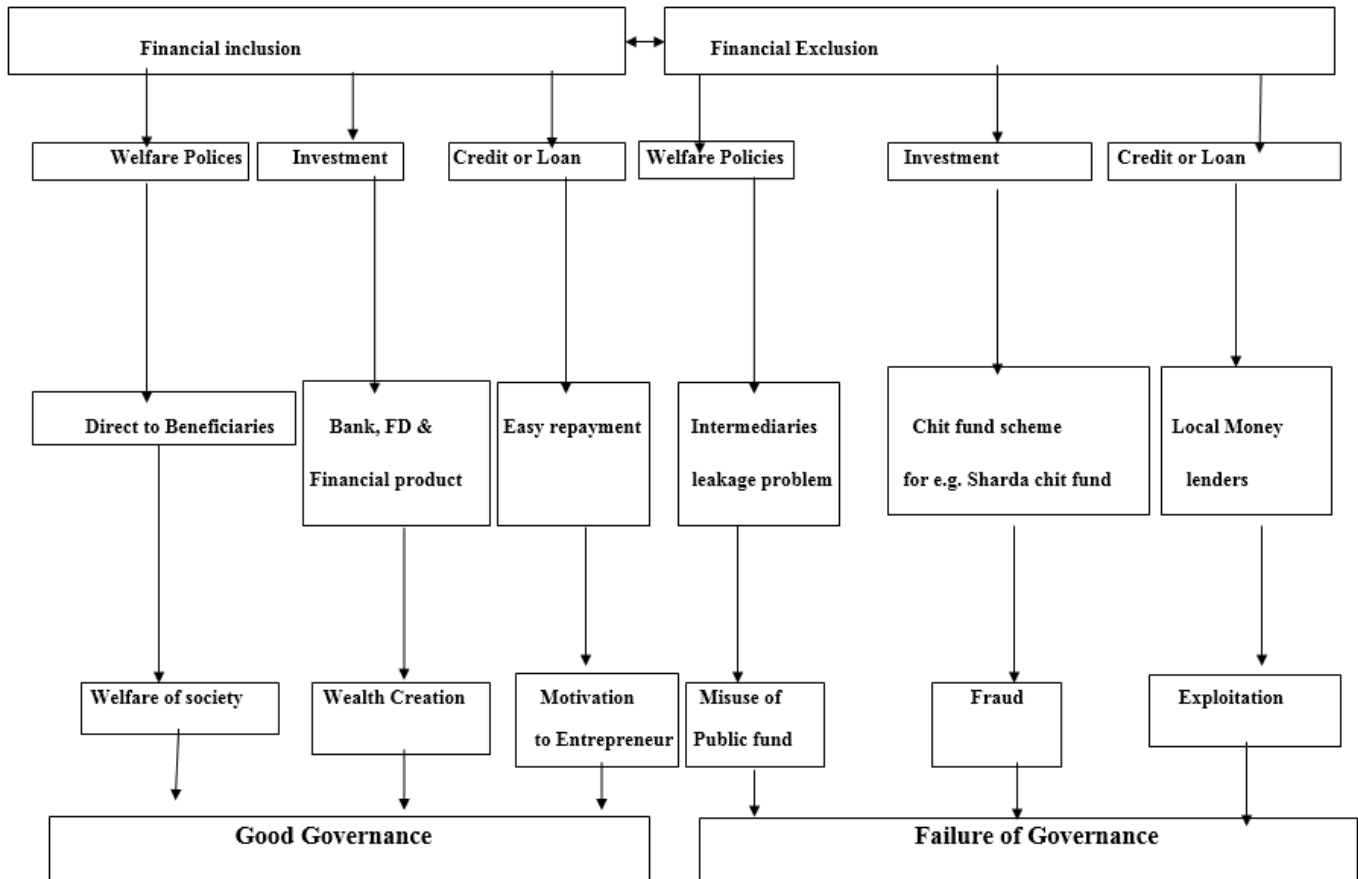


Source; <http://www.unescap.org/sites/default/files/good-governance.pdf> retrived 2/07/2015

Major dimensions of Good Governance are - first is Accountability means the person who take decisions he must have responsible to each step for proper execution, second is Transparency which denotes free flow of information by which policy could be measure and monitor, Third is Equity means each person have equal opportunity. Fourth is Rule of Law legal framework should be strong and fair enough, fifth is Responsiveness means try to serve each stakeholder of country, sixth is Effective and efficient output of policy should be result oriented and that should meet the need of beneficiaries seventh is Participation means each strata of population should participate directly or indirectly in decision making as well as execution of policy.

4. Systematic Approach of Good Governance through Pradhan Mantri Jan Dhan policy

Financial inclusion helps to deliver the advantage of different welfare schemes of government to ultimate target population. Financial inclusion also helps to mitigate the exploitation of marginalized sections by the cunning money lenders by make available easy and cheaper access of formal credit (Garg, 2014)^[14]. Following is the proposed model two of different states where one is financial included and another is financial excluded.



Source: Develop by authors

By help of this model I would like to discuss two circumstances one financial included state and another financial excluded state. In financial included state if government implements welfare policies for welfare of society or socio-economic development in form of subsidies or any other from government could directly transfer to bank account of beneficiaries but in absence of bank account or financial excluded state there would be involvement of intermediaries and it would be creates problem of leakage or corruption which leads failure of Governance but if financial included state it may deliver to directly to ultimate beneficiaries so it would be lead towards Good Governance so initiative taken by government to open bank account to each household defiantly would be a key factor for Good governance. In *PMJDY* as on 31/03/2015 account opened in Rural 87844803, in Urban 59318676 grand total opened accounts is 147163479 so these opened account would be helpful in Good Governance. In Present scenario there are so many chit fund scam happens in economy basic reason is behind these scam was lack of financial literacy, unavailability standardized financial products and rigid documentation process in open bank accounts, In *PMJDY* scheme banking system has given relaxation in KYC norms so it made easy to open bank account and include people to financial services this financial inclusion would be help full to reduce chit fund scam and peoples hard earned money would be safe and it would be also helpful in creating wealth for their future. another important requirement of peoples is loan or credit for business purpose or personal need in *PMJDY* scheme there is provision of overdraft facility up -to Rs 5000

this sum amount would be helpful to poor people at the moment of their urgent need at reasonable interest rate for their business or personal need this easy availability of credit also improve entrepreneurship skill and situation of state leads towards Good Governance but in situation of unavailability of the financial services people barrow money from local money lenders at very high interest rate and they exploited by money lenders and even many time people loss their assets to repayment of loan of local money lenders. This financial exclusion becomes cause for failure of Governance which negatively affects economy as well as creates imbalance and disparity in economy.

Conclusion

PMJDY would be work as catalysts for Good Governance and systematically it would be develop sound system for channelization of resources for welfare of society and economic development. India's development strategy after Liberalization Privatization & Globalization 1992 has identified high relevancy between economic growths, financial deepening and financial inclusion (Dr.B.C.M. Patnaik, *et al* 2015)^[13]. So *PMJDY* is one of mile stone achievement for Indian banking system this sound banking system and financial inclusion would be reflect as Good Governance when all public fund which government allocates for welfare would be reach to ultimate targeted population or beneficiaries. So it could be estimate *PMJDY* is important catalyst or develop a systematic approach towards Good Governance

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