



ISSN Print: 2394-7500
ISSN Online: 2394-5869
Impact Factor: 5.2
IJAR 2017; 3(5): 599-605
www.allresearchjournal.com
Received: 21-03-2017
Accepted: 22-04-2017

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Jan Dhan Yojana as a tool of financial inclusion in terms of banking outreach and the prospects for bank efficiency: A general insight

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Abstract

Financial system is a backbone for the working of Economies in modern day world. The essential role played by it, as an intermediary between the surplus units to the deficit units, in the increase of National Income is favoured by most of the economists. The developing countries not only face the challenge of increasing their income but also to make that improvement inclusive in nature i.e. to make the benefits reach every citizen of the economy. Financial development is one such tool. Financial development is defined as the development in the size, efficiency and stability of and access to the financial system. India being on its path of development is no such exception in this regard. Many efforts have been undertaken by the government of India since independence to make financial inclusion a reality. These included the Nationalisation of banks, Directed Credit programmes etc and a recent policy of Swabhiman. Jan Dhan Yojana in India is one such bold step on part of the Modi government in this regard. This scheme was announced in Prime Minister Narendra Modi's first Independence Day address on 15th August, 2014. This policy included that 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 and 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 phone. Also, Mobile banking for the poor would be available through National Unified USSD Platform (NUUP). With three years of its introduction and many accounts being opened under zero-balance, it becomes imperative to check whether it has lived up to its expectations or not. The paper will theoretically examine the Commercial Bank outreach in terms of opening of accounts. Also, as efficiency has been the casualty with any bank regulation, the paper will in theory analyse the perspective and prospects. Undoubtedly, the number of accounts opened has been tremendous all these years. Also, the amount credited is low which again puts a question mark over its role as an efficiency improvement tool. The paper concludes that although such policies are welcome but the provisions must be made so that the banks do not bear the brunt in terms of their efficiency.

Keywords: Jan Dhan Yojana, Efficiency of Banks, Financial Inclusion, Zero Balance accounts, overdraft

Introduction

Human being, as the most intelligent race, has always strived for excellence depending upon his judgement about it. Any sort of development, be it of sciences or religion has been the result of this quest. In Economics until recently (1970s), growth of the Gross Domestic Product (GDP), of a country, was seen as the end in this regard. Later, this concept changed to the development i.e. the overall social, political and economic well-being. This led to the vast research for finding its determinants and the practical policy implications. One of the major outcomes in the course has been the development of money and subsequently, the development of finance. The role of financial system in the process of growth has been little contentious. Whilst Schumpeter (1911) emphasised its importance in the determination of growth, Economists like Charles Kindleberger (1978) found in a study that too much bubbles are formed in the credit expansion which can then result in the financial crisis and Hyman Minsky (1975) who argued that economic stability can lead to financial instability as financiers take more risk.

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