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Financial Inclusion Harnessing Poor Families' Potential for Development

Dr. Amrit Patel
[Former Deputy General Manager, Bank of Baroda]
Agricultural & Rural Credit Consultant, Ahmedabad, Gujarat, India

ABSTRACT

India accounts for 21% of the World's and 67% of South Asia's unbanked population. Since independence, efforts have been to make financial services available to rural India through expanding cooperatives, nationalising private banks, establishing regional rural banks, inducting private banks, among others. Acknowledging the fact that financial inclusion has been a key component of India's development strategy to promote inclusive, balanced and sustainable growth the process of taking banking to villages still continues. However, according to the RBI, almost 75% of savings accounts lie dormant. Pradhan Mantri Jan Dhan Yojana launched on 15th August 2014 is a comprehensive financial inclusion scheme for unbanked households which has shown significant performance as on 26th December 2015.It is in this context, this article highlights the significance of the financial inclusion and its relevance to India, RBI's directives, current status, need for initiating enabling measures and aspects of strategic action plan to achieve the objectives of the financial inclusion.

Keywords: Financial Inclusion, Banking For Poor, PMJDY

I. INTRODUCTION

According to Brookings Institution's financial and digital inclusion project report [2015], India accounts for 21% of the World's and 67% of South Asia's unbanked population, by examining four parameters viz. a country's commitment, mobile capacity, regulatory environment and adoption of traditional and digital financial services. . It is in this context, this article briefly highlights the significance of the financial inclusion and its relevance to India, RBI's directives, current status, need for initiating enabling measures and aspects of strategic action plan to achieve the objectives of the financial inclusion.

Financial inclusion is defined as the process of ensuring access to financial services and flow of timely and adequate credit to vulnerable groups [weaker sections and low income groups] at an affordable cost. Access to financial services, without price or non-price barriers to their use and offered in a responsible manner, benefits poor people and disadvantaged groups. Economies with deeper financial intermediation tend to grow faster and reduce income inequality. Access to financial services not only supports economic efficiency and distributional equity but also contributes to financial stability and social cohesion. Financial inclusion should, therefore, be a key component of any development strategy to promote inclusive, balanced and sustainable growth. World over, recognizing the importance of inclusive growth, policy interventionists endeavor to make the financial system more inclusive. Financial inclusion acts from the supply side by providing and expanding financial market and services that people demand from time to time under the changed circumstances, whereas financial literacy creates/stimulates the demand side by making people aware of that they can get what they need/demand. There are six policy interventions for expanding the Financial Inclusion viz.[i] agent banking [ii] m-banking [iii] diversification of service providers [iv]reform of public sector banks [v] financial identity and [vi] consumer protection. Commercial banks can have several models, viz. for retail banking, by reaching to micro-entrepreneur; for wholesale banking, by partnering with MFIs; and through franchise or agent banking, by taking advantage of technology and managerial innovations.

II. METHODS AND MATERIAL

Relevance to India

According to the World Bank Findex Survey (2012), 35% of Indian adults had access to formal bank account, 2 % of adults used an account to receive money from a family member living in another area and 4% used an account to receive payment from Government.

The RBI-appointed Nachiket Committee on Comprehensive Financial Services for Small Businesses and Low Income Households [2013] reported that 90% small businesses had no links with formal financial institutions, 60% rural and urban population did not have a formal bank account and informal sector provides much of credit needs of the economy. People without bank accounts are often the most vulnerable and impoverished. Not having bank account excludes them from accessing simple credit products too, compelling them to informal usurious moneylenders and leaving them in perpetual debt.

The Rangarajan Committee on Financial Inclusion revealed that over 95% of adults in country's 256 districts did not get bank loans.
NSSO estimated that 48.6% of India's farm households were indebted, of which 61% had operational holdings below one hectare. 57.7% of the outstanding amount was sourced from institutional channels [including government] and rest 42.3% from moneylenders, traders, relatives and friends.

The Radhakrishnan Expert Group estimated that in 2003 non-institutional channels accounted for Rs.43,000 crore of farmers' debt of which Rs.18,000 crore was at interest rate 30% or more. Thus, these poor had to depend on their meagre savings and informal sector for loans to protect themselves against risks, viz. uneven cash flows, seasonal incomes and unplanned needs.

Studies have shown that access to financial services facilitates poor and low-income households to use their inherited and acquired skills to improve their productivity, create jobs, smoothen consumption flows, enlarge and diversify their businesses, and increase their incomes and has positive spill over effects on other intangibles such as health care and education.

Microfinance shows the way

With the traditional markets becoming more crowded, commercial bankers have realized that growth opportunities now exist outside their comfort zones and micro-entrepreneurs must be regarded as a bankable community. The implementation of microfinance program by commercial banks since mid-1990s and by MFIs since a decade has laid a strong foundation for expanding the financial inclusion in India. The successful implementation of microfinance has created awareness among the poor to become 'banked'. Microfinance sector can play a key role to address issues, viz. financial exclusion, providing livelihoods and empowering the poor and women in particular. While banks can increase business by encouraging and graduating microfinance customers to the next level of activity, the growing number of migrant labor and the increasing volume of remittances can offer new business opportunities to banks. The financial institutions can demonstrate their ability to provide affordable financial services to all adults to help accelerate their prosperity and nation's economic development and growth. Adoption of technology can deliver services to more people in more places and at lower transaction cost. Mobile phones, which have revolutionized communication system in India, can facilitate flow of financial services if banks coordinate with telecommunication operators. Regulatory and supervisory tools should help overcome traditional restrictions.

People getting connected with banking system will demand a range of products, viz. payment services, access to credit, insurance and safe savings.

Effective implementation of Financial inclusion policy and programs in India can accelerate country's inclusive growth, minimize incidence of poverty and income inequality. To give a boost to the financial inclusion the Nachiket Committee has, *inter alia*, recommended measures viz.[i] universal electronic bank account for all Indians above 18 years [ii] ubiquitous access to payment services and deposit products at reasonable charges [iii]sufficient access to affordable formal credit [iv] universal access to a range of deposit and investment products at reasonable charges [v] universal access to insurance and risk management products at reasonable charges and [vi] right to suitability.

RBI's directives

RBI had identified 139 districts in 15 States inadequately served by the banking system and to promote financial inclusion issued following directives.

- Strengthening rural credit delivery system of commercial banks to achieve financial inclusion. At least, one branch of the Lead Bank at block/ taluka level should be designated as a nodal branch to address the issue of Financially Excluded. These branches should be strengthened with technical staff to provide technical services for development of the farm and non-farm sector. All banks should make use of the services of these branches.
- Banks to set up financial literacy centers in over 630 offices of the lead district managers. All rural branches of commercial banks have been directed to undertake financial literacy program with focus on financially excluded population.
- To reach at least 55.7 million financially excluded households by 2012 and remaining households by 2015.
- Every rural and semi-urban branch of commercial banks and RRBs to add at least 250 rural household accounts every year.
- Banks to adopt technology that would enable the branch to go where the customer is instead of the other way round. For this, the Government has established "Promotion and Development Fund" and "Financial Inclusion Technology Fund "with NABARD to help commercial banks to expand financial inclusion activities.
- Banks should endeavor to have a banking correspondent [BC] touch points in each village.
- To expand financial access, banks can use Models viz. retail banking, wholesale banking in partnership with MFIs and franchise or agent banking by taking advantage of technology and managerial innovation.
- Other measures, *inter alia,* include credit delivery in rural areas through updating the Service Area Credit Plans and enabling policy environment for microfinance, viz. simplification of KYC norms, introduction of no-frills accounts, marketing Kisan Credit Cards, General Purpose Credit Cards, small overdrafts in no-frills account and permitting banks to use the services of business facilitators and BCs
- The RBI encourages banks which provide extensive financial services and disincentivises those that are not responsive to the banking needs of the community, including the underprivileged.
- By 31st March 2009, 431 districts were identified for 100% Financial Inclusion of which 204 were reported having achieved the target.
- Banks to formulate Financial Inclusion Plan [FIP] for 2010-13, which as an integral part of bank's corporate business plan, should include targets for opening banking outlets, providing BCs, opening of BSBDAs, overdraft facilities and farm and non-farm credit through KCCs and GCCs, transactions in BC-ICT accounts. FIP 2010-13 aimed at providing banking services, including a savings-cum-overdraft account, a pure savings product, recurring deposits, remittance and payment services, insurance and entrepreneurial credit to underprivileged in habitations having population in excess of 2000 by March 2012. FIP for 2013-16 should cover 4,90,000 villages with population below 2000 and focus more on volume of transactions in large number of accounts opened

While framing a policy for sustainable medium-term solution to the financial inclusion issue, RBI-committee is examining the role of payment systems and technology-based delivery channels in other countries. The successful innovations elsewhere can help shape country's policy on financial inclusion as different countries use different approaches to deliver payment services to the unbanked. For instance, Brazil and China use the BC- model with cards and traditional point-of-sale devices. Kenya has Mobile-based payments whereas the US and China use prepaid cards as an instrument to provide payment services to the unbanked. India has various delivery systems but the slow progress on the financial inclusion front is attributed to shortcomings in existing initiatives rather than lack of delivery tools on the supply side.

In the backdrop of the Prime Minister urging the RBI to take the lead in encouraging financial institutions and to set a medium-to-long term target for sustainable financial inclusion, the RBI has set up a 14-member committee for working out a medium-term (five-year) measurable action plan for financial inclusion; review the existing policy of financial inclusion, including supportive payment system and customer protection framework, and suggest a monitorable medium-term action plan in terms of its various components, viz. payments, deposits, credit, social security transfers, pension and insurance; study cross-country experiences in financial inclusion to identify key learnings, particularly in the area of technology-based delivery models, which could inform people of RBI's policies and practices; articulate the underlying policy and institutional framework, also covering consumer protection and financial literacy, as well as the delivery mechanism of financial inclusion encompassing both households and small businesses. It will do so with particular emphasis on rural inclusion, including group-based credit delivery mechanisms.

Current Status

About 72% Indians are in rural areas while share of urban and metro regions in total credit is 82.32%. While some micro and small entrepreneurs have personal access to some financial services, most Micro and Small Enterprises are often excluded from accessing formal working and investment capital. Banks are not uniformly geared up for financial inclusion. While commercial banks have taken steps to facilitate financial inclusion, RRBs and cooperative banks have yet to demonstrate their commitment. Promotion of financial inclusion is constrained due to three deterrents, viz. proximity, convenience and security. In urban and metro centres, ever increasing migrant workers having no identity proof-document of their place of work are unable to access remittance services for sending money to their homes. Of the huge number of accounts opened, only a few have become operational because of inadequate follow-up and high cost of transactions.

World Bank's *Global Financial Development Report* (2014) shows only 11% of those who had a bank account had savings and only 8% took loans. The number of dormant bank accounts is also huge. According to the RBI, almost 75% of savings accounts lie dormant. Surveys by the Consultative Group to Assist the Poor, College of Agricultural Banking and Microsave (2012) indicate 80% to 96% dormant accounts out of those opened by BCs in rural areas. Thus, implementers of program of financial inclusion must be more concerned about client's using/operating the account rather than mere opening accounts to achieve physical targets..

Despite an impressive number of No-Frill Accounts [NFA] opened in past, [approximately 50.6 million with outstanding balance of Rs.53,860 million] many of them are used only for withdrawing cash under Government programs including wages under MGNREGA. The majority are often inactive or dormant. In most cases, only 20% or fewer use their accounts for small savings which was the NFA's original objective. As a result, banks are reported to lose money on these accounts (estimated costs are Rs.13.40 per transaction and Rs.50.45 for account opening, or Rs.250 total to open and maintain accounts). Often bank services are not customer-friendly to encourage customers to make use of NFAs. RBI has now permitted banks to charge "reasonable fees" including small maintenance charges which may perhaps, further, discourage their operations. Despite RBI's directives and the need to fulfil financial inclusion requirements, many banks have yet to put in place cost-effective system for promoting and servicing NFAs. Most customers are either unaware of the various benefits of NFAs or for them to visit banks for small transactions is too expensive and time-consuming. However, the established clientele will now benefit under the *Direct Benefit Transfer* scheme for all payments under Government schemes. For financial inclusion to succeed and an effective business delivery model to be in place, servicing costs need to be brought down and large numbers covered rapidly. This exponential growth can be managed with the use of technology. However, a survey on financial access in 2011 revealed that India had 10.6 branches and 8.9 ATMs per 0.1 million population as against 23.8 branches and 49.6 ATMs in China and 46.2 branches and 119.6 ATMs in Brazil.

India has been implementing National Mission on Financial inclusion for which banks have formulated the FIP for 2010-13 and 2013-16 in two phases. Performance during 2010 to 2015 has significantly improved as under.

- Rural households of 553,713 villages out of 592,843 inhabited villages in India now have access to financial service as on 31st March 2015.
- Between 2010 and 2015 number of banking outlets in villages [branches] increased from 33,378 to 49,571 along with increase in banking outlets

[branchless mode] being served by BCs from 34,316 to 504,142.

- During the quinquennial period, number of KCCs provided shot up from 24.3 million to 42.5 million and loan amount sanctioned from Rs.1240.1 billion to Rs.4382.3 billion.
- Number of operational Financial Literacy Centres [FLC] increased to 1,181 in 2014-15 and total number of participants attending FLCs increased to 5,238,358.
- Number of BC-ICT transactions increased from 26.5 million to 477.0 million and amount transacted increased from 6.9 billion to 859.8 billion.
- During 2014-15, 32,509 rural branches conducted financial literacy camps.
- About 1.4 million and 5.7 million participants opened accounts in the camps organised by the FLCs and rural branches of banks, respectively.

The problems encountered under the FIP are attrition of BCs/customer service providers within a few months of starting operations making the accounts inoperative

Table 1. Banking operations in villages as on 2010 and 2015

Parameters	As on 31st March	
Year	2010	2015
Banking outlets in villages [branches]:	33,378	49,571
Banking outlets in villages [branchless modes]: .	34,316	504,142
Basic Savings Bank Accounts [branches] in million.	60.2	210.3
Basic Savings Bank Deposit [branches] Rs.in billion:	44.3	365.0
Basic Savings Bank Accounts [BCs] in million	13.7	187.8
Basic Savings Bank Deposits [BCs] Rs.in billion	10.7	74.6
Total outlets in villages	67,694	553,713
Total Savings Accounts in million	73.9	398.1
Total Deposits Rs.in billion	55.0	439.5
Over Draft facility availed in Savings Accounts in million	0.2	7.6
Over Draft facility Amount Rs.in billion	0.1	19.9
Kisan Credit Cards in million	24.3	42.5
Kisan Credit Cards Amount Rs.in billion	1240.1	4382.3
General Credit Cards in million	1.4	9.2
General Credit Cards Amount Rs.in billion	35.1	1301.6
ICT A/Cs—BC transactions in million during the year	26.5	477.0
ICT –BC transactions Amount Rs.in billion during the year	6.9	859.8

BC covers more than one village;

Effective monitoring of the performance of banking outlets and BCs and installation of robust MIS will surely accelerate process of financial inclusion.

Study on FLCs covering 730 participants in 46 districts from 23 States in October 2013 revealed that 99% participants were linked with banking system [89% savings accounts, 44% credit and 20% receiving remittances and benefits under Direct Benefit Transfer scheme]. Review of existing Financial Inclusion system showed the need for designing institutional legal framework and development of comprehensive monitoring system to track the progress

III. RESULTS AND DISCUSSION

Comprehensive Approach

Pradhan Mantri Jan Dhan Yojana (PMJDY), Pradhan Mantri Jeevan Jyoti Bima Yojana, Pradhan Mantri Suraksha Bima Yojana and Atal Pension Yojana are the most important components of the Financial Inclusion introduced during 2014-15 and 2015-16. Of these, the PMJDY, which envisaged opening 150 million bank accounts [two each from 75 million households] by January 26, 2015, is significantly improved and a bit comprehensive financial inclusion scheme offering to an unbanked household who opened a bank account before 26th January, 2015 a package comprising three basic products viz. [i] Overdraft facility of Rs.5,000 [ii] Debit card of RuPay [an Indian payment gateway like Visa and Master card] [iii] Insurance cover of Rs.1.00 lakh for accident and of Rs.30,000 for life. The beneficiaries, who already have bank accounts, are also eligible to get these benefits. Besides, the major policy change in the

PMJDY, as compared to the earlier efforts of financial inclusion, is to [i] target households instead villages [ii] cover rural and urban areas against rural ones [iii simplify KYC norms to ease opening bank account [iv] pursue digital financial inclusion with special emphasis on monitoring by a mission headed by the finance minister.

Table 2 : Progress Under PMJDY As On 16-12-2015 [Figures in Crore]

Banks	No. of Accounts opened	**No. of Rupay Cards**	**No. of Aadhar Seeded Accounts**	**Balance in Accounts [Rs.]**	**Percentage of Zero Balance Accounts**
Public Sector	15.34	13.54	07.10	22016.41	33.40
RRBs	03.53	02.55	00.99	4847.58	30.83
Private Sector	0.73	00.65	00.23	1148.39	40.83
Total	19.60	16.74	08.32	28012.38	33.21

As on 16th December, 2015, 19.60 crore bank accounts were opened with balance of Rs.28012.38 crore and 16.73 crore Rupay cards issued since the launch of the scheme on August 28, 2014. Percentage of zero balance accounts declined to 33.21% as against 66.07% as on 5th February,2015 which through appropriate monitoring system can be brought down to zero by June 2016. Through application of appropriate technology, banks can avoid occurrence of duplicate accounts. The College of Agricultural Banking study on financial inclusion shows that while the proliferation of new accounts to excluded households has been quite small, accounts have gone to households that already had access to savings accounts. The speed of linking the accounts with Aadhar numbers has been very low indicating that only 42.45% bank accounts were linked with Aadahar to facilitate the process of direct transfer of cash subsidies and other financial benefits to beneficiaries through their bank accounts under 36 Government schemes.

As on 27th November 2015, out of 46,81,128 Accounts 51.68% were sanctioned overdraft facility of which 38.61% Accounts availed the overdraft facility. Average amount of overdraft was Rs.1401. This amount can be increased progressively for which enabling environment need to be created to make beneficiaries capable of making use of funds being made available to them and to enhance credit absorption capacity of the people at the bottom of pyramid. Besides, the payment mechanism can be strengthened to improve traditional method for delivery of credit; and technology and e-model could be used for improving businesses at remote centres. According to the NCAER- NSHIE 2011-12 survey and the Inter Media FII 2013 Tracker Survey, on" who Saves and Invests" revealed that of those who save, the poorer and more disadvantaged group of agricultural households constitute just 1% of the savings in the formal institutions, whereas non-agricultural resourceful workers contribute to more than 70% of the savings in formal institutions. This, too, points the need for building beneficiaries' financial capacity to save and invest.

Table 3. Particulars of Number of Overdraft Accounts, Amount of Overdraft Availed [As ON 27-11-2015]

Total No. of Accounts offered Overdraft facility	**No. of Accounts sanctioned overdraft**	**No. of Accounts availed overdraft**	**Amount of overdraft availed [Rs. Lakh]**
46,81,128	24,19,512 [51.68%]	9,37,160 [38.61%]	13131.19 [Rs.1401]

Enabling measures: Despite Banks have favorably responded to implement RBI's directives the visible impact has not been evident. For this, all stakeholders, viz. Banks, State Governments, technology providers, regulators, among others, work in a coordinated manner and initiate enabling measures in following areas.

- Banks should perceive Financial Inclusion as a business opportunity rather than a compulsion or pursuing it as a regulatory requirement and develop a viable business model that can protect low-income groups from being exploited by moneylenders and improve the effectiveness of the system to reduce the scope of the unorganized sector. Measures need to be initiated for [i] optimally utilizing 553,713 banking outlets already created and around 248,000 BCs appointed more productively[ii] developing customer-friendly and area-specific banking, financial and insurance products, rather than one-size-fits-all, by investing in R&D efforts and marketing them through appropriate strategy [iii] providing services much closer to the customer either through mobile branches, satellite offices, extension counters or SHGs or through BCs using Information Technology to increase scale, access and reduce cost

- Developing simple credit products to meet the needs of small borrowers. Without effective regulations, credit is often overextended to people not eligible to receive it. It has to be adequately scrutinised to ensure that other people's money, which banks deal with, is disbursed in a manner which is appropriate, fit and proper. Extending credit without regard to cost exacerbates financial instability. The credit expansion just to achieve prescribed targets of the financial inclusion should serve as a signal to policy makers. Relaxing norms to access credit without addressing genuine constraints affecting the rural economy is unlikely to either boost rural economic growth or help alleviate rural poverty. Financial inclusion can be a worthy goal only if it helps reduce extent of poverty sustainably
- Lack of "*financial literacy*" among the financially excluded is primarily responsible for slow progress of financial inclusion.. Financial literacy and debt counselling pursued by the RBI is a *sine qua non* to achieve the aims of the financial inclusion/PMJDY since the very foundation of the financial stability rests on managing all the costs and risks associated in the financial inclusion, viz. cost of overdraft, insurance cover, unsettled overdraft facility in the event of zero-credit balance, among others. It is imperative that all intended beneficiaries of the PMJDY/FI must understand their statutory obligations before claiming the benefits/rights under the scheme. If past field experiences were any guide, most beneficiaries of Government sponsored schemes have, unfortunately, developed a culture to receive freebies and politically expedient subsidies. The syllabus of the financial literacy and debt counselling should be pilot-tested in most districts of the country and appropriately redesigned to match the needs under the PMJDY/FI to achieve its objectives. Financial inclusion can be successful if adult literacy of the financially excluded is also sufficiently improved and their capacity to use basic banking services is developed.
- Efforts need to be made to search for the best possible delivery models/business models for financial inclusion. Banks need to experiment with delivery models like satellite branches, mobile branches, BCs, POS, and mobile telephony services. The BC model coupled with ICT solutions has the potential to reach to the hitherto unreached. India's commercial banks and MFIs, learning lessons from and sharing knowledge/experiences among banks/MFIs in other developing economies under the umbrella of the Consultative Group to Assist Poor [an affiliate of the World Bank] should be able to approach financial inclusion as a viable and sustainable business model.
- A commercial bank may allow 'owner-managed micro-banking units' to operate under its banner in a franchise banking model. Such a model can facilitate to overcome regulatory hurdles which commercial banks currently experience. The franchise model can be effective in mobilizing savings, as deposits are backed by the name of the bank and depositors regard it as 'safe'.
- The BC-model accompanied by mobile and point-of-sale card technology can be a potential solution for rural customers. BCs, during their doorstep service for opening new accounts, collection of deposits and providing withdrawals, can activate the inactive and dormant accounts, if costs and incentives of BCs can be resolved.
- If banks can increase the accessibility of migrants for their remittance services and lower down the costs, they can capture a large proportion of the remittances and serve migrants better which the Financial Inclusion aims at.
- Despite significant technological advancements there are issues of standardization, interoperability and costs that inhibit smooth technology solutions. The financial services offered with the help of ICT should ideally be standardized, interoperable and cost effective. One of the major reasons for the slow progress in providing banking services in the hinterland is the high transaction costs associated with low value large volume transactions.

Technology can to a great extent reduce the cost of transactions.

- Financial inclusion is measured by three indicators viz. (i) access to financial services (ii) usage of financial services and (iii) the quality of products and service delivery. India can consider evolving appropriate methodology and procedure to measure the performance through these measurable indicators.

- Infrastructure support, particularly road, rail, digital connectivity and adequate power is important prerequisites for operation of banking outlets.
- It shall be the ingenuity of the Government and the RBI to restructure the rural cooperative credit institutions and India Post which have local feel in rural areas to play substantial role in the Financial Inclusion. Similarly, commercial banks ingenuity lies in developing financial skill and the capacity building of BCs accompanied by latest money transfer and communication technology.

Strategic Action Plan: The goal of different approaches to promote financial inclusion would be [i] progressively expand the coverage to those who have hitherto remained financially excluded [ii] encourage the use of technology and continue innovations and [iii] deepen the integration of microfinance into the formal financial sector through effective participation of commercial banks and expanded access to capital markets. PMJDY's focus to bring all households under the mainstream of banking by first opening bank account is, indeed, the first step towards financial inclusion. All banks in public, private and cooperative sectors along with RRBs should chart out a road map to implement the directives issued by the RBI and Government by March 2016. Opening bank accounts may not immediately become viable but it can be over a period of time when Government makes all payments through these bank accounts under Direct Benefit Transfer scheme and banks and insurance companies put in serious and committed efforts to mobilize savings, credit and insurance products accompanied by appropriate marketing strategies. Besides, following strategic actions can contribute to improve operational viability and achieve objectives of the financial inclusion.

- Field experiences suggest the immediate need for the Government in consultation with the RBI to remove all misunderstandings and confusion with regard to the mandated benefits under the PMJDY by bringing out a comprehensive booklet and putting on the web the FAQ. For this, NABARD can undertake a pilot project in each State to understand the bank account holders' perception and banks' capability to serve these new clients in the light of the concept of the PMJDY/FI.
- Government and banks in an effective coordinated manner will have to launch a massive village-wise structured campaign to create full awareness among poor households for their better understanding of the PMJDY/FI and improve the level of educational and financial literacy that can help them avail the benefits under the scheme along with discharging their responsibilities attached with it. Fundamentally Panchayati Raj Institutions[PRI] at all levels will need to be involved in this campaign after their members have been fully trained to understand the scheme and its targeted aims, rather than only opening bank accounts. NGOs, Civil Society, Print and electronic media will have added role in this area.

- PRIs at village level must ensure that by December 2016 all households should have bank accounts which must be monitored by the Lead Bank at block, district and State level on a quarterly basis.

- Banks will have to put in place client-friendly procedure that can encourage /motivate beneficiaries/clients to operate the bank account, rather than allowing it to remain dormant, since Financial Inclusion aims at continuous operations/transactions in the bank account already opened. Flexibility is an important criterion and the services and products available should be flexible.
- Banks under the PMJDY will need to commit and ensure that beneficiary uses overdraft facility to acquire income-generating assets, pursue economic activity, generate income and ultimately converts overdraft facility into loan and establishes her/his credibility to access more amount of short-term loan in due course. This calls for concern, commitment and accountability of all stake-holders under the PMJDY to make it result-oriented. Effective Management Information System will need to be

established to monthly monitor the end-use of the overdraft facility and half yearly review of the impact created on income-generation and settlement of the overdraft facility.

- Banks can mobilize substantial amount of savings by motivating beneficiaries and extending bank credit hassle-free on lines of SHGs under SHG-Bank-Linkage Program since India's household savings have been declining since 2009-10, together with strong compositional shifts from financial to physical savings. Ingenuity of bank staff and innovative savings products can help banks mobilize significant amount of deposits as is evident from Saradha, Sahara and the multitude of informal fund-raising schemes that have sprung up in recent years across the country prove that rural folk have sizeable savings to invest.

The Financial Stability and Development Council report aptly says if banks aren't adequately compensated for PMJDY/FI activities, it would become unprofitable for the sector. If implementation of the financial inclusion is pushed beyond a point, it may have negative costs to the system.

Some critics have voiced their concern about the likely economic burden of 15 crore overdraft facilities, each of Rs.5,000 without any collateral in the event of these drafts not having been settled. In this case, it is necessary to evolve basic guidelines for providing overdraft facility as most banks have already past experience of providing overdraft of Rs.155 crore under 3.9 million " No-frills Account out of 18.2 million. This field-based study should provide concrete information on [i] why only 3.9 million out of 18.2 million were issued the overdraft facility, leaving a very large number out? [ii] What has been the ultimate fate of the overdraft facility in respect of its use and settlement or becoming NPA? Before providing the overdraft facility under the PMJDY, comprehensive pilot studies in each district should be conducted to assess the beneficiary's perception and understanding on the use of overdraft facility, its on-time settlement and the actual requirements as envisaged under the scheme. Such studies should continue in case of PMJDY too as the progress has been significantly high. Overdrafts can be extended solely at the banks' discretion, based on the credit history of the account-holder.

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