

1. **Financial inclusion is not merely about opening more and more bank accounts, but is rather about developing a habit among people to deposits their small savings into banks. Discuss the importance of financial inclusion in context of resource mobilization efforts of government? Also evaluate the Pradhan Mantri Jan Dhan Yojana in the context of the statement? (150 Words)**

Answer:

- Well developed and widely spread financial system extends credit facility to those who do not have adequate finance themselves but have business ideas and zeal to carry entrepreneurial activities resulting in acceleration of growth.
- On the contrary, absence of financial penetration and deepening results in absence of debt leverage to micro enterprises and they have to either borrow at very high rates of interest or have to be contented with their own capital. This leads to restricted growth in economic activities.
- Financial Inclusion is indeed about bringing a large section of people within formal monetary system, so that overtime they would get integrated with the rest of the economy. Similarly, another objective is to boost the financial flows in economy.
- In Indian context, financial inclusion is further important to reduce leakages from the financial flows from government, whether its subsidy benefits or the NREGS payments.
- The small savings by people into formal banking or post-offices further brings new funds in market and increase the availability of money. This helps not only the corporate sector to borrow at reduced costs, it also enables Government to borrow funds without crowding-out the private sector investments.
- As small savings accounts in post offices and increased SLR funds are available for it exclusively and don't reduce the supply of credit in market. Thus, financial deepening can have a considerable impact on the resource mobilization efforts of government.

Performance of Jan Dhan Yojana

- At present, only 58% of Indian households have access to banking services, which means more than 40% of households lack access to formal credit and finance system and therefore, are forced to depend on usurious money-lenders. Furthermore, potential investors among them have no option but to put money in shady Ponzi schemes.
- A formal bank account becoming the norm will also help the government to directly pay all subsidies into the accounts of the poor and help plug the leaks. An efficient, transparent and sleek system of subsidy disbursal will help the government to better assess and implement its social welfare schemes.
- The PMJDY scheme, wishes to bring such people within formal finance and aims for expansion of financial services to hitherto unexplored territories. It has also been successful in creating a world record in terms of creating new accounts.

- As per an assessment by Bill and Melinda Gates Foundation, the scheme has improved over the previous financial inclusion scheme, the concept of Bank Mitra was introduced much before the PMJDY, however, their availability was issue, but now as per the study, the availability has improved significantly and the intent among banks to make this scheme is clearly visible.
- It is, however, too early to declare the program an unqualified success. A few points deserve a mention here. A substantial portion of the accounts are still zero balance accounts. Account access alone does not create financial inclusion, which requires regular use of accounts. There is however, a high hope for that, because government is increasingly linking those accounts for subsidy transfer and pension payments leading to their increasing use as per JAM trinity objective.

Pros

- Expand banking, financial & insurance sectors
- Allow direct cash transfer to targeted beneficiaries
- Plug the leaks in subsidy system
- Ensure transparency, weed out corruption
- Cut avenues for black money generation
- Remove the influence of money lenders & Ponzi schemes
- Better data collection & assessment

Cons

- Another social welfare scheme
- Questionable viability of banking, insurance accounts
- Priority versus freebies banking
- Burden on the taxpayer

PRACTICE QUESTIONS

Answer the following Questions

1. The rapid diffusion of Artificial Intelligence begets unique opportunities and challenges for India. Discuss. What can be done to address these challenges? (150 words)
2. Briefly explain the concept of Additive Manufacturing as well as its advantages and challenges in comparison with conventional manufacturing methods. Also, comment on its potential in terms of revolutionising organ replacement in humans. (150 words)