

Pradhanmantri Jan Dhan Yojna (PMJDY): An Initiative towards Financial Inclusion in India

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ABSTRACT

It is indeed a matter of serious concern that despite tremendous growth of banking sector in India—both horizontally and vertically, a large section of Indian population continues to remain unbanked. To mitigate these long drawn financial sufferings, Prime Minister Narendra Modi announced a new scheme in his Independence Day speech on 15th Aug 2014 and called it as the National Mission on Financial Inclusion (NMF) for weaker section and low-income groups. The prime objective of the PMJDY is to ensure financial inclusion of the poor and rural population giving them dignity, financial freedom and financial stability. Under this scheme, every household with a bank account gets access to banking and credit facilities. This scheme will help the poor to come out of the grip of moneylenders, manage emerging financial needs, and get benefits from a range of financial services. Initially, every account holder gets a RuPay Debit Card with a Rs. 1 lakh accident insurance cover. It is found that more than 8.32 crore bank accounts were opened out of which 74.27% accounts were zero balance. The performance of Public Sector Banks (PSBs) is at the top with more than 80% contribution in PMJDY followed by Regional Rural Banks (RRBs) and Private Banks (PBs) with 17% and 3% respectively. It is also found that the various issues and challenges in effective implementation of scheme. The present paper endeavors to study the recent trends in financial inclusion in India with special reference to Pradhan Mantri Jan Dhan Yojana (PMJDY), highlighting its key areas and suggests strategies to ensure maximum financial inclusion for the underprivileged and unbanked areas.

1. Introduction

India has adopted inclusive growth as part of its economic planning. It was in fact the 11th five-year plan (2007-2012) which emphasizes on inclusive growth and enables the vulnerable groups of the society to actively participate in the economic development of the country. This can be made possible through successful implementation of financial inclusion which involves the delivery of financial services at a sustainable cost to the vast segments of low income and disadvantaged groups. The objective is to develop a model of an inclusive financial system which will support full participation of the neglected and underdeveloped segments of the society in the financial system. An inclusive financial system is one that gives equal weight to both the development opportunities and the market potential for the poor by bringing them into the banking and financial bracket.

“Financial inclusion is delivery of banking services at an affordable cost (‘no frills accounts’) to the vast sections of disadvantaged and low-income group. Unrestrained access to public goods and services is the sine qua non of an open and efficient society. As banking services are in the nature of public good, it is essential that availability of banking and payment services to the entire population without discrimination is the prime objective of the public policy.” – **Indian Institute of Banking and Finance**

Former United Nations Secretary-General Kofi Annan, on 29 December 2003 had said: “The stark reality is that most poor people in the world still lack access to sustainable financial

services, whether it is savings, credit or insurance. The great challenge before us is to address the constraints that exclude people from full participation in the financial sector. Together, we can and must build inclusive financial sectors that help people improve their lives.” During the IMF-World Bank 2013 Spring Meeting on 24 April 2013, the Alliance for Financial Inclusion (AFI) Executive Director Alfred highlighted progress in financial inclusion. He said, “Financial inclusion is no longer a fringe subject. It is now recognized as an important part of the mainstream thinking on economic development based on country leadership.”

2. Financial Inclusion Goals

In partnership with the National Bank for Agriculture and Rural Development, the UN aims to increase financial inclusion of the poor by developing appropriate financial products for them and increasing awareness on available financial services and strengthening financial literacy, particularly amongst women. The United Nations defines the goals of financial inclusion as follows:

- Access at a reasonable cost for all households to a full range of financial services, including savings or deposit services, payment and transfer services, credit and insurance.
- Sound and safe institutions governed by clear regulation and industry performance standards.
- Financial and institutional sustainability, to ensure continuity and certainty of investment.

- Competition to ensure choice and affordability for clients.

3. Pradhanmantri Jan Dhan Yojna (Pmjdj)

On 15th August 2014 our hon'ble Prime Minister Mr. Narendra Modi announced its flagship programme Pradhan Mantri Jan Dhan Yojana (PMJDY) which was launched on 28th August 2014 with a mission of ensuring access to easy financial services for the excluded section i.e. weaker section and the low-income group. As per the scheme one could open an account in any bank branch or Business correspondent outlet with zero balance. The process of opening an account has been made easier. It is an approach to bring about comprehensive financial inclusion of all households in the country. The aim of the scheme is access to banking facilities, financial literacy, and access to credit, insurance and pension facility. Moreover, the beneficiaries would get RuPay Debit card having inbuilt accident insurance cover of Rs. 1 lakh. The plan also envisages channeling all Government benefits to the beneficiaries' accounts and pushing the Direct Benefits Transfer Scheme of the union Government. The technological issues like poor connectivity, on-line transactions will be addressed. Mobile transactions through telecom operators and their established centres as cash out points are also planned to be used for financial Inclusion under the scheme. RBI have described financial inclusion as the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low-income groups in particular at an affordable cost in a fair and transparent manner.

Pradhan Mantri Jan-Dhan Yojana (PMJDY) is National Mission for Financial Inclusion to ensure access to financial services, namely, Banking/ Savings & Deposit Accounts, Remittance, Credit, Insurance, Pension in an affordable manner. Account can be opened in any bank branch or Business Correspondent (Bank Mitra) outlet. Accounts opened under PMJDY are being opened with Zero balance. However, if the account-holder wishes to get cheque book, he/she will have to fulfill minimum balance criteria.

The National Mission on Financial Inclusion (NMI) is proposed to be implemented as a Mission Mode Project which has an integrated approach for providing banking, insurance and pension products together to the beneficiary. It also envisages a comprehensive coverage of all excluded households in the country in 2 phases:

Phase I (from 15 Aug 2014 -14 Aug 2015) proposes the following:

1. Universal access to banking facilities. 2. Providing Basic Banking Accounts with overdraft facility of up to Rs. 5000/-. 3. RuPay Debit Card with inbuilt accident insurance cover of Rs. 1 lakh. 4. Issuance of kisan credit card is also proposed. 5. Financial Literacy Programme.

Phase II (from 15 Aug 2015 -14 Aug 2018) proposes the following:

1. Creation of Credit Guarantee Fund for coverage of defaults in overdraft accounts. 2. Micro Insurance. 3. Unorganised sector Pension schemes, like Swavlamban. 4. Coverage of households in hilly, tribal and difficult areas, and coverage of remaining adults in the households and students.

4. Literature Review

Anupama Sharma and Sumita Kukreja (2013) states the role of financial inclusion, in strengthening the India's position in relation to other countries economy.

C. Paramasivan and V. Ganeshkumar (2013) attempt to discuss the overview of financial inclusion in India Financial inclusion aimed at providing banking and financial services to all people in a fair, transparent and equitable manner at affordable cost.

Dangi and Kumar (2013) examined the initiatives and policy measures taken by RBI and Government of India. This study also focused on current status and future prospects of financial inclusion in India. It has been concluded that financial inclusion shows progressive and valuable changes but sufficient provisions should be incorporate in the business model to certify that the poor are not driven away from banking.

Aiyar (2014) asserts that financial inclusion requires sustained efforts for several years, with an emphasis more on quality rather than speed. By shifting the focus to cash transfers, the massive dormant accounts could also be activated over time. Accordingly, the design of the scheme needs a shift of focus in order to deliver on the objectives.

Diveyesh Kumar (2014) discussed the overview of financial inclusion using PMJDY in India. It is revealed that, it is the greatest steps ever taken to eradicate poverty are financial inclusion through PMJDY. It is suggested that, the success of this scheme constant review and regular check is very much essential.

Rajan (2014) stated that as far as financial inclusion targets were concerned, universality, not just speed or numbers, was essential. It would be a waste if duplicate accounts were opened if full coverage was not achieved and if accounts were not used. RBI would work with banks to ensure the effectiveness of the measures taken. This would suggest that there is substance both to charges of differences in the government and RBI perceptions of the pace and content of the financial inclusion drive; as well as the views of skeptics unconvinced about the feasibility and success of the campaign mode adopted.

Singh and Naik (2014) assert that the most important factor for the success of financial inclusion would be changing the mindset of the financial institutions. Chopra (2014) defined that the new financial inclusion programme has the right intentions and addresses several design issues. In his view consumers will need to be well educated about the power of bank accounts and their rights to overdraft facilities, insurance, etc., otherwise intermediaries will take advantage of the money intended for them.

Tewari (2014) points out three basic concerns regarding the Rupay debit cards—a critical component of the scheme. According to Finance Ministry sources, a greater dependence on online biometric-based transactions through the BC model would be preferable.

Harpreet Kaur and Kawal Nain Singh (2015) studied the recent trends in financial inclusion in India with special reference to Pradhan Mantri Jan Dhan Yojana (PMJDY), highlighting its key areas and suggest strategies to ensure maximum financial inclusion for the underprivileged and unbanked areas.

Patnaik (2015) analyzed that, only 13.8% of the respondent in Bhubaneswar have access to bank accounts and out of the total respondent who do not have bank account due to various reason are alarming are not aware of PMJDY scheme. Amongst males 78.9% and in 95.08% were not aware of the scheme. The study concluded that, the banks should make more effort in creating awareness on zero balance account and should aggressively campaign for such scheme.

Sonam Kumari Gupta (2015) highlighted on Performance of the Pradhan Mantri Jan Dhan Yojana (PMJDY) and latest trends being implemented for financial inclusion by PMJDY. It is found that, of the accounts opened at public sector banks under the Jan Dhan Yojana, 71% are zero balance, against 64% for private banks released by the ministry, only 28% of the

accounts opened under the scheme are active, with about Rs.9, 000 crores deposited in these.

5. Objectives of the study

1. To examine the progress of Financial Inclusion Initiatives in India with special reference to Pradhan Mantri Jan Dhan Yojana.
2. To study the changing trends in financial inclusion after Pradhan Mantri Jan Dhan Yojana.

6. Sources of data Collection

The study is based on secondary data which was collected from the Govt. web sources, RBI reports, NABARD reports, IBA Bulletin websites, journals, magazines, banks web sources.

7. Analysis of the study

Progress of Pradhan Mantri Jan-Dhan Yojana PMJDY 2014 is a comprehensive financial inclusion programme, targeting opening of 7.5 crore new accounts within five months with insurance and pension facilities. Around 31.52 crore accounts (1.2 cr. in rural areas and 64 lakhs in urban) have been opened so far. BCs are employed in places where banks do not have branches. Following Table shows the progress of PMJDY: - Number of Accounts opened in Pradhan Mantri Jan dhan Yojana (As on 09.03.2016)

Pradhan Mantri Jan - Dhan Yojana (Accounts Opened as on 25.04.2018)

(All Figures in Crores)

Table 1

| Bank name | Rural | Urban | Total | Female | Balance in Accounts | No of Rupay Card |
|---------------------|-------|-------|-------|--------|---------------------|------------------|
| Public Sector Banks | 13.69 | 11.78 | 25.47 | 13.35 | 65098.69 | 19.11 |
| RRB's | 4.28 | 0.79 | 5.06 | 2.77 | 13557.87 | 3.67 |
| Private banks | 0.60 | 0.40 | 0.99 | 0.52 | 2215.11 | 0.92 |
| Total | 18.56 | 12.96 | 31.52 | 16.65 | 80871.67 | 23.71 |

(Source: www.pmjdy.gov.in)

Achievements under PMJDY (as on 21st December, 2016)

- 26.03 crore accounts have been opened under PMJDY out of which 15.86 crore accounts are in rural areas and 10.17 crore in urban areas.
- Deposits of Rs. 71,557.90 crores have been mobilized.
- 19.93 crore Rupay Debit cards have been issued under PMJDY.
- Aadhaar seeding in PMJDY accounts 14.43 crore
- Zero balance accounts have been reduced to 23.86%
- Household Coverage: 99.99% households out of the 21.22 crore households surveyed have been covered under PMJDY.

As on 23rd December, 2016, out of total requirement of 1,27,198 fixed location Bank Mitras in Sub Service Areas (SSAs), 1,26,985 Bank Mitras have been deployed by banks.

Overdraft (OD) in PMJDY accounts

As on 23rd December, 2016, 44.28 lakh accounts have been sanctioned OD facility of which 23.85 lakh account-

holders have availed this facility involving an amount of Rs.316.56 crore.

8. Opening of branches in unbanked rural centers

To further step up the opening of branches in rural areas so as to improve banking penetration and financial inclusion rapidly, the need for the opening of more bricks and mortar branches, besides the use of BCs, was felt. Accordingly, banks have been mandated in the April monetary policy statement to allocate at least 25% of the total number of branches to be opened during a year to unbanked rural centers. The target under PMJDY is for banks to have an additional 50,000 BCs, in addition to 7,000 more branches and 20,000 new ATMs. Also, to make the dormant accounts (estimated at around 5 crore) active, the government may soon announce that dormant account holders, if found eligible, will get subsidies and other payments related to DBT as well as the National Rural Employment Guarantee Scheme directly into their accounts if these accounts are activated. Such account holders will also get accidental insurance worth Rs. 1 lakh, overdraft of up to Rs. 5,000 and life insurance of Rs 30,000. The RuPay debit card

being given to the beneficiaries will have an inbuilt accident insurance cover of Rs. 1 lakh and an overdraft facility up to Rs 5,000. The use of debit cards will allow the unbanked to start building a transaction history, which can be a decisive step in initiating them towards financial inclusion. This step will also help the Banks in better product designing and targeting. The PMJDY also aims at eliminating corruption as it would facilitate routing of subsidies directly into the accounts of intended beneficiaries. On the accident insurance cover of Rs. 1 lakh being offered to new account holders, it comes with the condition that before making the claim, the holder should have used his/her account during 45 days prior to the claim date. To cover defaults of overdraft facility of up to Rs. 5000, the Govt is likely to set up a Credit Guarantee Fund of Rs. 1,000 crores. The overdraft facility is only for Aadhar-enabled accounts after they have operated satisfactorily for six months. Banks have been asked by the Govt to assess the creditworthiness of people before opening accounts so that they do not misuse the overdraft facility. Banks have also been asked to link new accounts to the Aadhaar Card number, take self-declaration on

creditworthiness and other details, and make sure that accounts are active. Wrong self-declaration can lead to legal action.

9. Conclusion

The PMJDY scheme has shown substantial growth in numbers as far as opening of accounts is concerned. Now, it's important to financially include all section of the society in this scheme to achieve the goal of inclusive growth of the nation. The challenges ahead is the conversion of the non operative accounts with zero balance into operative and for this it's important to focus on financial literacy as most of the beneficiaries lack knowledge of how to make use of the financial services. For the success of any scheme constant review and regular check is very much essential. Successful implementation would not only reduce poverty but also puts a check on corruption. A bold first step by NDA Government indeed helped many to come into the main stream of economy and reduce financial untouchability.

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