

# Pradhan Mantri Jan-Dhan Yojna: A Programme For Financial Inclusion

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## **Abstract**

Pradhan Mantri Jan Dhan Yojna (PMJDY) is a social upliftment scheme which aims to bring the millions of excluded Indian people in the main financial stream through financial inclusion. Hon'ble Prime minister Shri Narendra Modi announced a new scheme Pradhan Mantri Jan Dhan Yojna on August 15, 2014 and launched its as a national mission for financial inclusion on August 28, 2014 as a land mark initiatives to ensure financial inclusion for weaker section of society for providing banking, insurance, and pension to mitigate the ill effects of earlier schemes, thus giving them dignity, financial freedom and financial stability. With this background, the study has been conducted and tries to find out the progress, features, performance, advantages difficulties and achievements of the scheme. For this purpose of the study, both primary data and secondary data have been collected.

## **Introduction**

In India, financial inclusion has always been a priority, since 1969, when banks were nationalized, the strategy for addressing the banking needs of the poor has been biased toward providing credit, neglecting other aspects, such as building a deposit base, promoting a savings culture, or extending the payment network. However, over the last decade, India's financial inclusion agenda has seen a strategic shift from an emphasis on credit to a more comprehensive approach toward financial services, particularly opening bank accounts and offering basic financial products such as insurance. This shift has been partly driven by the need to achieve other public policy goals, such as replacing product subsidies with cash transfers, which requires beneficiaries to have bank accounts for advancing the transfers. Objective of "Pradhan Mntri Jan-Dhan Yojna (PMJDY)" is ensuring access to various financial services like availability of basic savings bank account, access to need based credit, remittances facility, insurance and pension to the excluded sections i.e. weaker sections and low income groups. This deep penetration at affordable cost is possible only with effective use of technology.

## **Objective of the Study**

- To study the Financial Inclusion.
- To Understand the PMJDY Scheme.

### Plans of PMJDY from August 15, 2014 to 15, August 2018

There are many objectives by this scheme are to be achieved.

- Financial literacy programme under the scheme will be implemented up to village level.
- All households across the country have access to banking facilities with at least one Basic Bank Accounts with a Bank branch or a fixed point's Business Correspondence (BC).
- All households have RuPay Debit Card with Rs. One lakh in build accident insurance and Micro-insurance will be provided to the people.
- If bank account is operated satisfactorily for 6 months, Rs. Rs. 5000 overdraft facility will be granted to only Adhaar enabled accounts.
- Direct Benefits Transfer Facility of various government schemes will be provided through accounts to the beneficiaries.
- Swavlamban-an unorganized sector pension scheme is to be proposed through the Business Correspondents.
- Households in hilly, tribal and difficult areas and remaining adults and students are to be covered by the scheme.

### Basic Pillars of the scheme (PMJDY)

- **Banking Facilities to neglected segment of the society: -** More than 6 lakh villages in the country are to be organized into-Sub Service Areas and Allocate to banks. Banks are required to provide one fixed point banking outlet as a either branch or Business Correspondent to cater service to 1000 to 1500 households. Besides, mobile telephone service would be effectively utilized to deepen financial inclusion. Mobile BCs covers only bigger villages, while fixed point BCs ensures uniform access and uniform coverage. All the villagers and habitations in the country will get access to banking services within a short distance of 5 km.
- **Life Insurance under Pradhan Mantri Jan Dhan Yojana: -** Under the PMJDY scheme the account holders will be given worth Rs. 30000 insurance coverage if they comply with certain specification of the scheme which includes opening an account by January 26, 2015 and having an accidental insurance coverage of over Rs.200000.
- **Loan Benefits: -** The account holder can take loan benefit of up to Rs. 5000 from the bank after six-months from the opening of the account. Though the amount might seem insignificant for many but we have to realize the scheme is directed mostly towards people below the poverty line and who are struggling desperately to sustain their everyday living. The loan benefit can be a scintilla of hope for

those people who could utilize the loan amount and invest it in more profitable outcome, particularly in farming or the other agriculture prospect.

- **Mobile Banking Facilities:** - Though the technology of using smart phones to conduct our bank transactions is not novel anymore but the PMJDY scheme will allow its account holders to avail the same facilities of checking balance and transferring funds through a normal cell phone which is more affordable to general economy.
- **Zero Balance Account:** - The accounts opened under PMJDY scheme are zero balance account that means initially an account holder does not need to maintain any bank balance. Under this scheme anyone who is a citizen of India above 10 years and does not have a bank account, can open the account with zero balance.
- **Direct Benefit Transfer:-** It is another valuable feature of PMJDY, under this scheme those bank accounts which are linked to Aadhar Ids can avail government subsidies by electronic transfer directly into their accounts. For e.g. Gas and Food subsidies.

#### Progress Report of PMJDY Scheme: as on 18.09.2014 to 29.03.2017

Table -1 Source: www.pmjdy.gov.in

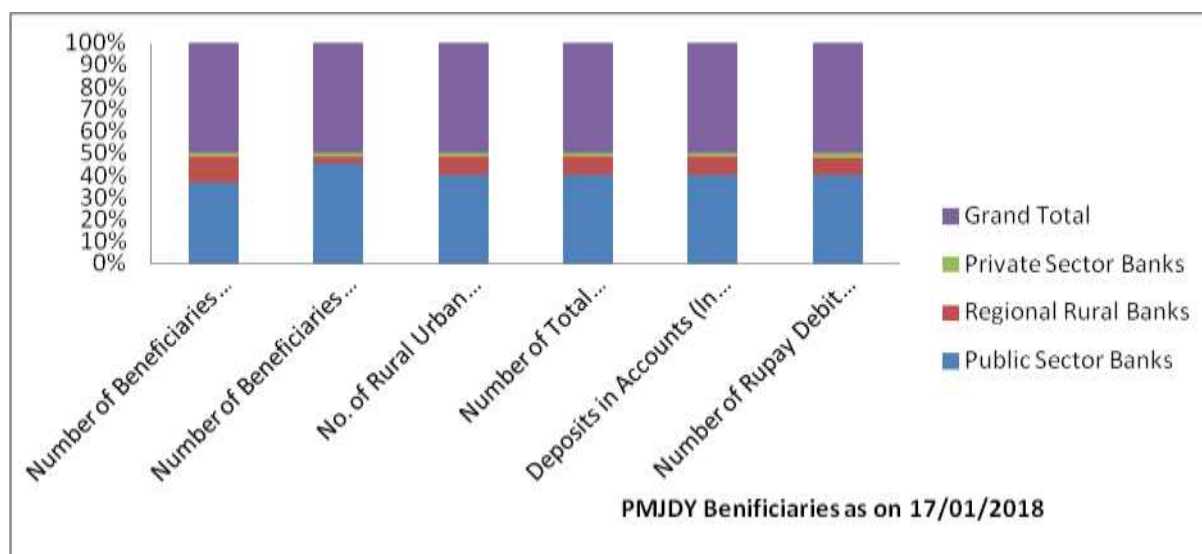
Banks	18.09.2014 Total no of Rural/Urban Banks	31.08.2015	29.06.2016	29.03.2017
Public Sector Banks	35.37	137.20	174.98	226.14
Regional Rural Banks	6.88	31.40	39.59	64.37
Private Sector Banks	0.88	7.00	8.31	9.14

**Above Table** clearly shows an increase both in number of accounts opened and also the account balance under the PMJDY scheme. Highest number of bank accounts was opened by the public sector banks. In 2014, 35.37 million accounts were opened which increased to 226.14 million in year 2017. regional rural bank and private sector bank also shows a continuous increase in accessing people especially in rural areas. Data of this table are shown by following chart from 2014 to 2017.

#### Progress Report of PMJDY Scheme: as on 17/01/2018 (All figures in Corers)

Bank Name/ Type	Number of Beneficiaries at rural/semi urban center bank branches	Number of Beneficiaries at urban metro center bank branches	No. of Rural Urban Female Beneficiaries	Number of Total Beneficiaries	Deposits in Accounts (In Crore)	Number of Rupay Debit Cards issued to Beneficiaries
Public Sector Banks	13.41	11.60	13.10	25.01	58982.14	18.79
Regional Rural Banks	4.21	0.77	2.72	4.98	12501.11	3.65
Private Sector Banks	0.60	0.39	0.52	0.99	2206.47	0.92
Grand Total	18.21	12.76	16.34	30.97	73689.72	23.35

Chart No. 1



From above table it can be easily accessed that there is a tremendous amount of increase in no. of accounts opened both rural and urban, No. of Repay Debit card, Balance in accounts and No. of accounts with zero balance.

### Issues faced by PMJDY

- **High investment and operational Cost:** - The financial inclusion is high investment and high recurring cost for for the TSPs and BCs. The cost of handled POS devices and customer service providers are high. Added to this is the cost of tele connectivity, field trips, software, cost of smart cards and Rupay cards.
- **Non-operational Accounts:** - Out of the 136 million no frills accounts opened so far Out of which 70-80% are non-operational accounts. The Agents have also indulged in the practice of opening several duplicate accounts to achieve targets and get the commission paid. These duplicate accounts are dormant from day one obvious reasons.
- **Poor Balance:-** According to the RBI Annual report 2013 the average balance per account has dipped from Rs.80 to Rs.22. Though these these accounts are opened with an intension of bettering the financial service coverage and it is offered to the last mile customer, the cost associated with it is high. The low level of savings mobilized, compounded with the poor recovery rates in the the ODs, the banks are hardly making any margins.
- **Unutilized Services:-** Nearly 60 million accounts were added compared to last year and 333500 BC outlets were opened but transaction volume increased from 250 million to 328 million as per the RBI annual report 2014.

### Growth and Achievements

- PMJDY is really beneficial for the rural areas where banking services and financial institution are rarely available.
- Through Business Correspondent (Bank mitra) outlet the accounts can be opened with zero balance with the purpose of opening the accounts under this scheme.

- The habit of savings has been put into the minds of illiterates too which will enable them to lead a better life style.
- PMJDY has taken other financial products like pension schemes, insurance and various credit products to every nook and corner of the country and made it an easily accessible service for the ignorant.

### **Conclusion/Suggestions**

No doubt this is the most successful financial inclusion programme introduced by the government of India, Guinness Book of World Records has also recognized the Achievements made under PMJDY, but it is quite possible that multiple accounts would have been opened by single person in different banks either due to unawareness or by greed. Although the scheme is very clear in providing single benefits to one person only, irrelevant to the multiple banks accounts opened by him. Bank can also establish a single information sharing system to weed such multiple accounts.

The key factor for successful implementation and outstanding performance of this scheme is in the hands of banks; therefore it's a great challenge for every nationalized bank as they will need more manpower, technology and better risk management techniques.

The scheme gives a free accident insurance cover worth Rs 1 lakh to the every single account holder, the holder must use Rupay debit card at least every 45 days which is quite difficult for remote tribal areas even after the presence of Bank correspondents.

Pradhan Mantri Jan Dhan Yojna is one the most featuring scheme till now, the scheme justifies itself on basic grounds which are to promote financial literacy, universal access to banking facility and providing various financial services as well as on promoting savings. The scheme is definitely a great help for those weaker sections of society, who have an ability to save. It is a far sighted and long term scheme which still needs free management in terms of banking services as banks are the backbone of every economy, any mismanagement government plan will make them suffer. The widely acknowledged and successful launch of this PMJDY scheme also strengthen the resolve that when cooredination,dedication,opportunism,commitment, formalization ,depemcedece,trust ,satisfaction,cooprationand continuity is provided by all the constituent and stakeholders, a framework of construct is created which acts as a dominant force for accomplishment of the mission.

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