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Financial Inclusion Through Pradhan Mantri Jan Dhan Yojana

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Abstract

Since last 8 years PMJDY scheme rapidly expanded in India. This scheme provides an easy way to increase the accessibility and availability of financial services such as bank accounts, remittances, credit, insurance, and pensions for all small and marginal sections of society. The government always focuses on very concerted efforts to achieve financial inclusion through the PMJDY account. Its primary goal is to make it easier for Indians to access various bank services. This paper looks into the present scenario of the PMJDY scheme in India. This study is based on secondary sources of data. For the analysis of the data, simple descriptive statistics and a column diagram and table are used. It has been discovered that the government is making concentrated efforts to offer banking services to low-income households and rural communities. Maintaining the accounts' activity and functionality is the most crucial test the PMJDY must pass. A large number of accounts being opened in no way indicate that the strategy is successful or that more people are using financial services. Regional rural bank account holders are primarily from rural areas. The regional rural bank ATM has the highest concentration in semi-urban areas. The use of digital payments, particularly RuPay debit card usage, among PMJDY account holders. Facilitating account holders' access to microcredit and microinvestments through flexible recurring deposits.

Keywords: Financial inclusion, PMJDY, Rupay Card

Introduction

Since independence, the importance of the service sector has continuously increased. The service sector mainly consists of banking, insurance, communication, transport, etc. Banking services are not accessible to every person because of a lack of coordination, improper planning, and lack of technology. The basic problem was identified by the Rangarajan committee. This committee identifies the various patterns of exclusion from banking services in poor and vulnerable sections of rural areas and also identifies some barriers.

Financial inclusion is the most important concept for every Indian. That is why the Government of India and the RBI focus on a simplified branch expansion policy in order to provide banking facilities to rural people, small and marginal farmers, and women. The government always focuses on very concerted efforts to achieve

financial inclusion through the PMJDY account. Its primary goal is to make it easier for Indians to access various bank services.

The Reserve Bank of India and the Government of India have previously undertaken a variety of initiatives, including the nationalisation of commercial banks, development of bank branch networks, establishment and expansion of cooperatives, introduction of priority sector lending, the lead bank scheme, the formation of self-help organisations, state-specific approaches for government-sponsored programmes to be established by state-level Banker Committees, etc. However, the policies did not seem to have the desired effects due of their ineffective implementation. On August 15, 2014, the Pradhan Mantri Jan Dhan Yojana (PMJDY), a National Mission for Financial Inclusion, was launched with the main goal of offering at least one bank account, the Rupay Debit Card, overdraft up to Rs. 5,000, and accident and life insurance to every household in the nation. This was done to supplement the current policies and account for the context.

The Government of India has taken a big step in August 2014 by introducing "Pradhan Mantri Jan Dhan Yojana (PMJDY) as a national mission for financial inclusion to ensure access to financial services" and this scheme is the main motto to campaign for financial inclusion in India. The scheme was launched following the failure of the previous government's Swabhiman scheme (2011), which aimed to improve banking services in large rural areas. On August 15, 2014, Prime Minister Narendra Modi delivered the slogan speech "Merakhatha, Bhagya Vidhatha." This scheme benefited people in rural areas. The PMJDY account benefits from having "basic savings bank deposits, no required minimum balances, accident insurances of 2 lakhs, an overdraft facility of 10,000, and also other benefits like direct benefit transfer (DBT)."

Objective of the Study:

To study current scenario of PMJDY financial inclusion scheme in India.

Research Methodology:

This study uses secondary data and is descriptive in nature. The reports from the Reserve Bank of India, the Ministry of Finance, and PIB are mostly where the data comes from. The data is analysed using tables and column graphs.

Review of Literature:

In 2016, Goyal and Khera conducted research on the PMJDY's situation in India. They discovered that there were much more accounts opened under PMJDY in the rural sector than in the urban sector. The survey found that in all three banking sectors—public sector banks, RRBs, and private banks—60% of accounts were opened with a deposit in PMJDY, while the remaining accounts under PMJDY were no frill accounts. The opening of accounts under the PMJDY plan required the State Bank of India to play a significant role. Misra (2010) looked into the various financial inclusion strategies employed in different countries. Malegam (2011) made several recommendations in his committee report on microfinance for improving financial inclusion in the country. Arulmurugan et al. (2013) attempted to look into the numerous attempts for financial inclusion in India, while Sharma and Kukreja (2013) focused on the significance of financial inclusion in enhancing India's standing relative to other nations' economies. In their study, Kumar and Kumar (2013) concentrated on the efficiency of financial inclusion products and services. According to Thap ar's (2013) research, even though banks are opening branches in locations with at least 2000 people, giving no-frills accounts, and Kissan credit cards, and easing KYC requirements, much more work needs to be done to advance financial

inclusion. Nachiket Mor (2014) was tasked with developing a comprehensive monitoring framework to track the progress of national initiatives to deepen financial inclusion and offered numerous suggestions to improve the process of inclusion. In their study, Singh & Nisha (2014) found a connection between financial inclusion and human growth. They also emphasised the significance of physical infrastructure for information and connection, as well as government policies for financial inclusion. According to Maity and Sahu (2020), while not all public sector banks operate at the same level of efficiency, overall efficiency toward financial inclusion increases significantly during the post-phase. The effectiveness varies greatly between them and even between the two times. Additionally, there is a great chance to increase technical efficiency while using the same amount of input, which will assist in achieving the goal of financial inclusion. Barik and Sharma (2019) Lack of digital infrastructure, a lack of formal work prospects, a lack of financial awareness, and poor income are some of the main barriers preventing rural consumers from using digital technology for their financial transactions.

According to Bijoy (2017), a major study, low-income groups are even unable to use the financial system as it is since they do not generate enough steady income. Yonzon and Oveis (2016) investigated the achievement of financial inclusion in India with reference to PMJDY accounts. Their study revealed that the PMJDY did well in reducing informal sector lending, and promoting the habit of saving. It advised that after successfully opening the accounts, it should employ tactics to keep these accounts active.

Bano and Baijal (2016) talked about the steps made in India to promote financial inclusion as well as the problems and difficulties they encountered. It was noted that some of the difficulties faced by PMJDY included the failure to pay attention to a sizable population of urban poor people and the inadequacy of bank credit for PMJDY account holders. The survey found that a significant portion of the population in India is economically excluded.

Shetty and Deokar (2014) contend that because the RBI and the Ministry of Finance have already launched numerous projects, PMJDY is not a novel undertaking. It has been noted that the goals of these programmes have not been met in India as a result of a lack of cooperation among the populace. As a result, it supports the government, banks, and the general public working together to implement programmes in an efficient and transparent manner at the local level.

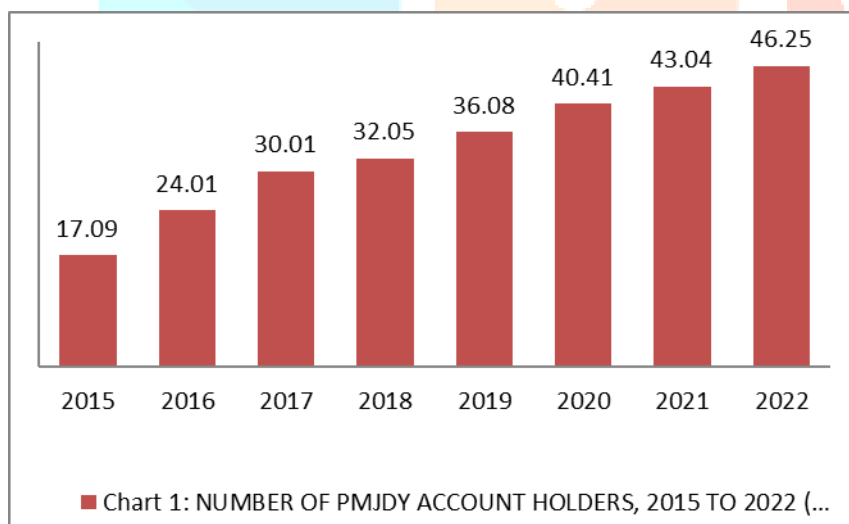
Khuntia (2014) investigated the process that each home goes through to become a part of the banking system. To lessen the severity of financial exclusion in the nation, the government recently devised a number of action measures known as "PMJDY." The major goal of such a scheme is to give every home in the nation access to banking services as well as insurance protection.

Aswathy and Shiny (2015) looked at the RBI's efforts to promote financial inclusion. They assessed PMJDY's contribution to financial inclusion. The study came to the conclusion that the first step in removing financial exclusion in India is opening a bank account.

Progress of PMJDY in India:

Even after 70 years of independence, poverty and exclusion still dominate socioeconomic and political discourse in India, despite the various steps the government of India and RBI have taken to promote financial inclusion in that country. Although the economy has grown significantly since liberalisation in 1991, not all facets of society have yet felt the effects. A third of the world's poorest population still reside in India. Only roughly 41.37% of Indian households do not have access to banking services, according to the Census of 2011. The country's present banking infrastructure consists of a 160055 ATM network and a 115082 bank branch network. 43,962 branches, or 38.2%, are located in metropolitan regions, while 23,334 ATMs, or 14.58%, are located in rural areas. Approximately 46.25 crore Jan Dhan accounts have been established, with deposits totaling more than Rs 81,200 crore. In rural and semi-urban areas, there are 67% Jan Dhan accounts, while 56% of Jan Dhan account users are women. PMJDY account holders were handed 31.94 crore RuPay cards. In June 2022, the government transferred direct benefits to about 5.4 crore PMJDY account members under a number of different programmes. For the purpose of implementing PMJDY, a pipeline has been established through which Jan Dhan accounts and mobile banking have been connected to Aadhar (JAM). Not only is this pipeline facilitating savings, credit disbursement, social security, etc., but more crucially, it is channelling direct benefits of numerous government programmes to the nation's needy through DBT.

Number of PMJDY Account Holders:



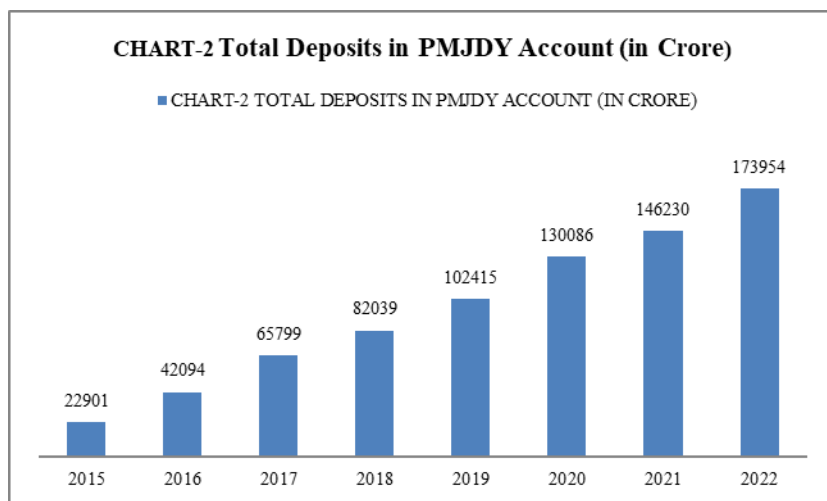
Source: Ministry of Finance, Govt of India

The Government of India and the Reserve Bank of India have prioritised the easy opening of bank accounts by all Indians, particularly rural households, including small and marginal farmers. That's why the government of India provided many more schemes like digital technology, business correspondents, and other services, etc. Over the years, the number of PMJDY accounts has increased in the country. From Chart 1, it is seen that in 2015, the number of accounts opened was 17.090 crore and increased to 40.04 crore in 2020, with about 2.5 percent growth in 6 years. No matter what stage of life you are in—student, working professional, homemaker, businessperson, or senior citizen—having a bank account is essential for achieving your goals of financial independence and stability. The following are some advantages to having a bank account: Having a

bank account may make it easier than ever for you to access money through several government programmes. If you have connected your Adhaar or PAN card to these programmes through the Direct Benefit Transfer (DBT) system, funds from these programmes will be directly transferred into your account.

Figure 1 depicts the measurement status of PMJDY account holders in India. The current year for PMJDY account holders is 2022, with a total of 46.25 crores, and the first year is 2015, with a total of 17.09 crores. For the time period 2022, A rising trend over time can be seen in the chart for the total number of accounts (in crore) opened in all banks under the PMJDY Scheme. The graph for the number of accounts created in all banks under the PMJDY Scheme from month to month as a percentage of growth indicates an increase for the first two months, a decline from November 2014 to April 2015, and then a nearly stable trend.

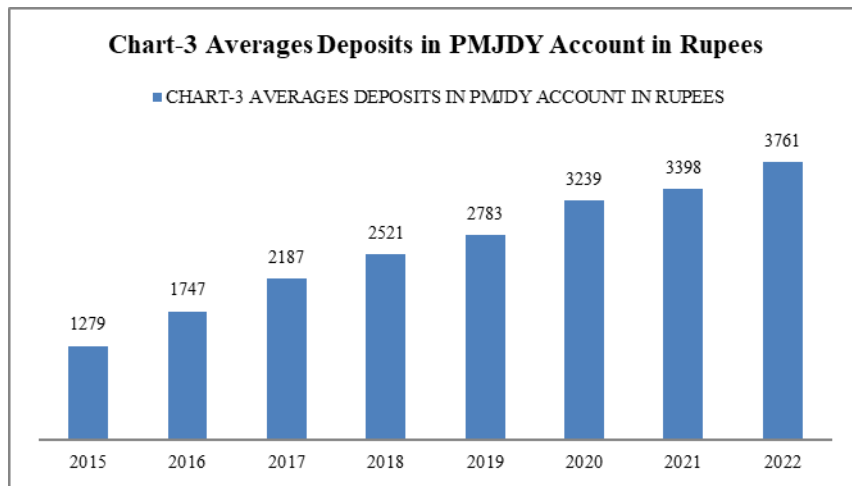
Total deposits in PMJDY Accounts



Source: Press information Bureau

Money cannot be stored at home in excess of a particular quantity, and there is always a chance that it will be damaged or stolen. Money kept at a bank is safe because even if the bank is robbed, the majority of your savings will be covered by insurance. A bank account is beneficial for more than just holding money; it also allows you to store other items, like jewellery or crucial documents, in a bank locker—something that is only possible if you have a bank account. PMJDY schemes aim to increase every Indian's savings. From Chart 2, it is seen that in 2015, the total deposits under the scheme were 22,901 crore, which increased to 1,30,701 crore in 2020. Figure No. 2 demonstrates that between November 9 and November 23, 2016, as a result of demonetization, consumers began using these accounts to exchange old banknotes, the amount in Jan Dhan accounts climbed by more than Rs 29,000 crore. The cumulative sum across all PMJDY accounts shows an upward trend over time. Between March 2015 and March 2022, deposits have increased by a factor of almost 10.62. The growth of accounts has been about 3.06 times.

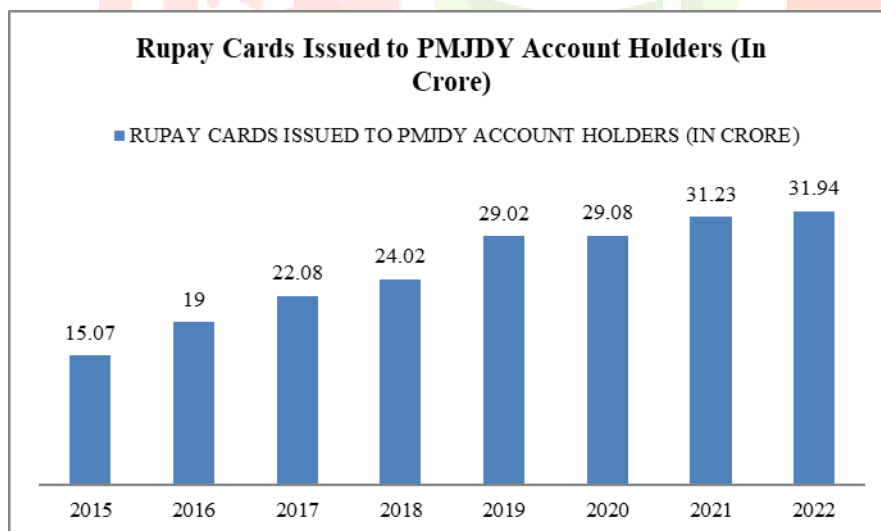
Averages deposits in PMJDY account



Source: Ministry of Finance, Govt of India

The typical deposit per account in PMJDY was Rs. 3239 in 2015 and Rs. 3239 in 2020. The average deposit per account has increased by more than 2.5 times during the time period. An increase in average deposits is another indicator of increased account usage and the emergence of saving behaviours among account holders. The typical deposit is Rs. 3,723 per account (as on April 13, 2022). When compared to August 2015, the average deposit per account as of April 13, 2022, has climbed by more than 2.9 times. Another sign of increased account usage and the development of saving habits among account holders is an increase in the average deposit.

Rupay cards issued in PMJDY account



Source: Ministry of Finance, Govt of India

The RuPay debit card is made to offer total interoperability across all payment methods, including mobile devices, ATMs, checks, etc. Under PMJDY, all account holders are qualified to receive a RuPay debit card. The RuPay card, which can be used at all ATMs, POS terminals, and e-commerce websites, is the key to gaining access to the fundamental banking services offered by the scheme. When the respondents opened their PMJDY accounts, information was gathered about whether they received their RuPay cards, checks, etc.

Under PMJDY, all account holders are qualified to receive a RuPay debit card. The RuPay card, which can be used at all ATMs, POS terminals, and e-commerce websites, is the key to gaining access to the fundamental banking services offered by the scheme. When the respondents opened their PMJDY accounts, information was gathered about whether they received their RuPay cards. 31.64 billion RuPay cards total were issued to PMJDY account holders as of April 13, 2022). RuPay card usage and numbers have greatly increased over time. The cost of clearing and settlement for each transaction is reduced because domestic transactions are processed domestically. As a result, the transaction cost is reasonable. Being a local system, RuPay is dedicated to creating products and services that are specifically tailored for customers. There is already insurance coverage available for accidental death and permanent disability for all holders of RuPay ATM/cum-debit cards. Owners of RuPay Classic cards are eligible for a Rs. 1 lakh insurance benefit, while owners of RuPay Premium cards are eligible for a Rs. 2 lakh insurance benefit.

Bank Group	Rural	Urban	Semi-urban	Metro-Politon	Total
Public sector Bank	28884	18785	24109	18398	90176
Private sector Bank	7913	8372	12182	10875	39342
Foreign Bank	128	161	146	422	857
Small Finance Bank	1104	1554	2267	1249	6174
RRBs	15425	1641	4840	449	22355

Source: RBI

Branch banking has seen substantial changes since the 1980s as a result of an increasingly competitive national market, financial services liberalisation, and the expansion of internet banking. It can be noted that there are more and more bank branches in semi-urban and rural locations every day. Today's government and banks are working to offer financial services to each and every Indian citizen while taking into account the demands of rural households. Table 1 shows that there are more scheduled commercial bank branches in rural India than there are in semi-urban areas. Private sector banks are more concentrated in semi-urban areas (12,182). Foreign banks are more prevalent in metropolitan cities 422. Small finance banks are more prevalent in semi-urban areas (2,267). In rural areas, the regional rural bank has the highest level (1,5425). Highest number of bank branches in public sector banks as compared to other banks.

Bank Group	Rural	Urban	Semi-Urban	Metro-Politon	Total
Public Sector Bank	29035	35016	39895	33436	137382
Private Sector Bank	6549	18848	19642	30485	75524
Foreign Bank	139	442	354	809	1744
Small Finance	229	795	804	807	2635
RRBs	339	158	464	14	975

Source: RBI

Cash payments are not always practical, especially for larger transactions. Instead, having a bank account means that you will always have access to all of your money, thanks to features like ATMs on every corner and banking websites and applications for smart phones. You won't merely have to carry your cash around if you wish to pay in cash because you will be able to withdraw it as needed. The number of bank branches in rural and semi-urban areas is growing daily to meet the demands of rural households. As the government and banks work to offer financial services to every Indian, the number of branches and ATMs is rapidly rising. The second table shows that there are more ATMs in public sector banks than in other banks. In semi-urban areas, public sector banks have the most ATMs (3,985). However, there is very little in rural areas (2,9035). In the private sector, metropolitan areas have more ATMs (3,0485). Foreign banks also have the most ATMs in metropolitan areas (809). The largest small finance bank in metropolitan cities (807). The regional rural bank ATM has the highest concentration in semi-urban areas (464). The total number of ATMs with the highest capacity in Public Sector Bank is 13,7382.

FINDINGS AND CONCLUSION

We have witnessed directly throughout the COVID-19 period how quickly and easily Direct Benefit Transfers (DBTs) have empowered and provided financial security to the poorer parts of society. A significant element is the fact that DBTs through PM Jan Dhan accounts have halted systematic leakage and ensured that every rupee reaches its assigned beneficiary. It has been discovered that the government is making concentrated efforts to offer banking services to low-income households and rural communities. Maintaining the accounts' activity and functionality is the most crucial test the PMJDY must pass. A big number of accounts being opened in no way indicate that the strategy is successful or that more people are using financial services. Regional rural bank accounts holders mostly belong to rural areas. The regional rural bank ATM has the highest concentration in semi-urban areas.

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