



# PRADHAN MATRI JAN DHAN YOJANA: THE WORLD'S BIGGEST DRIVE TO BANK THE UNBANKED

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**Abstract:** Pradhan Mantri Jan Dhan Yojana (PMJDY) is a financial inclusion scheme launched by the Indian government in 2014 to provide universal access to basic banking services. Prior to PMJDY, only 58.70% of adults had bank accounts and financial exclusion was high in rural areas. The scheme aimed to give everyone access to a bank account, direct benefit transfers, credit, insurance and pensions. As of March 2023, 48.69 crore PMJDY accounts have been opened, with public sector banks accounting for 78% of accounts. This has led to increased financial inclusion, better delivery of government subsidies, access to credit for the rural population and a culture of savings and growth. PMJDY is one of the largest financial inclusion initiatives in the world. This research paper analyzes the performance and impact of PMJDY on financial inclusion over the years. Further efforts should focus on digital financial literacy and infrastructure development in remote regions. PMJDY has played a seminal role in advancing financial inclusion and last-mile delivery of banking services. However, there are still significant gaps in usage and active engagement of these accounts. Active usage, livelihood linkages and maintaining continuity of engagement remain work in progress requiring concerted long-term interventions from all stakeholders.

**Key words - PMJDY, Financial Inclusion, Rural, Banking**

## I. INTRODUCTION

In India, millions of people in rural areas lacked access to basic banking and financial services. This financial exclusion resulted in limited savings options, inability to access credit, and difficulties in receiving government subsidies. Financial inclusion in India got a new momentum with Introduction of Pradhan Mantri Jan Dhan Yojana (PMJDY) on 28th August 2014. The program aims to ensure universal access to financial services such as a basic savings and deposit account, remittance, credit, insurance and pension in an affordable way.

The scheme has been introduced with prime objective of reaching the un-reach in terms of financial education and inclusion and others are as follows.

- To bank the unbanked and reaching the unreached
- To provide universal access to banking facilities, ensuring that every household has at least one bank account.
- To promote financial literacy and awareness.
- To provide easy access to credit
- To facilitate direct transfer of government benefits to beneficiaries' bank accounts
- To provide social security to financially excluded population of the country

Further in August 2018, the vision of the program i.e. opening of account to “every household” shifted to “Every unbanked adult”, resulting in significant progress in ownership of bank account. In the country. PMJDY was rolled out in a phased manner across the country. It involved setting up camps and banking correspondents in rural and remote areas to facilitate account openings. The scheme emphasized the provision of RuPay debit cards with inbuilt accident insurance. Additionally, it encouraged individuals to use their bank accounts actively and promoted financial literacy programs.

## II. Material and Method:

The study has been conducted completely on the basis of secondary data available from public domains in the form of research papers, articles and case studies. The study is also supported by the data from official websites of Department of Financial services data on PMJDY, Pradhan Matri Jan Dhan Yojana website of Govt. of India and Reserve Bank of India’s published papers and reports.

Such collected data on Financial inclusion in India has been sorted into Pre- PMJDY and Post PMJDY development in financial , tabulated and depicted in the form of tables and graphs using simple statistical tools such as mean and percentages and conclusion are derived.

## III. Results and Discussion:

### 3.1. Financial inclusion prior to PMJDY:

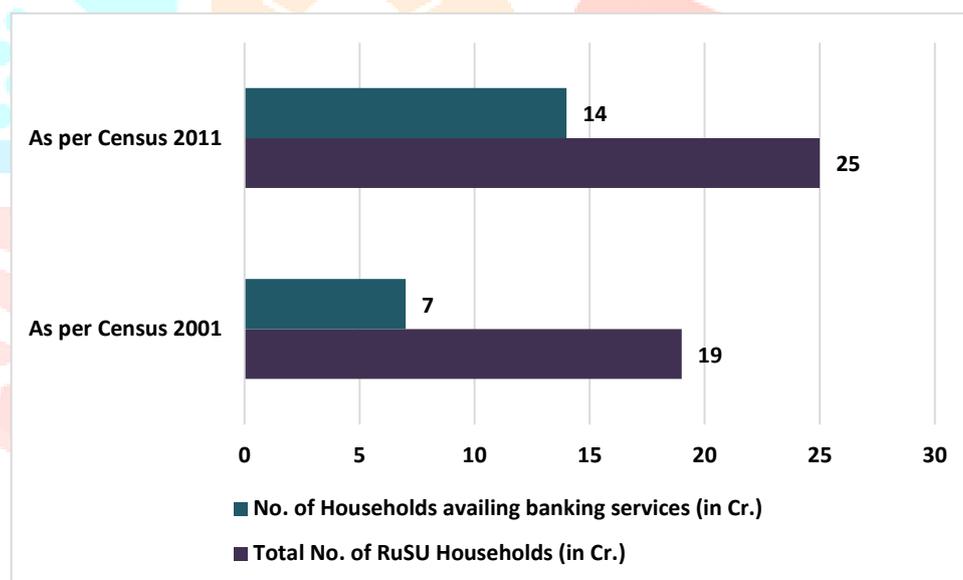


Fig. 1 Financial inclusion in Rural & Semiurban Households prior to launch of PMJDY scheme. (Source: DFS)

Prior to Pradhan Mantri Jan Dhan Yojana, Govt. of India and RBI have come up with many initiatives for financial inclusion. From the above figure (Fig.1) it is very clear that 58.7% (14 cores) of the households have access to financial services and banking accounts in 2011 as compared to 35.5% (7 crores) in 2001. Some of the initiatives for financial inclusion are as follows:

### 3.1.1. Expansion of Bank Branch network:

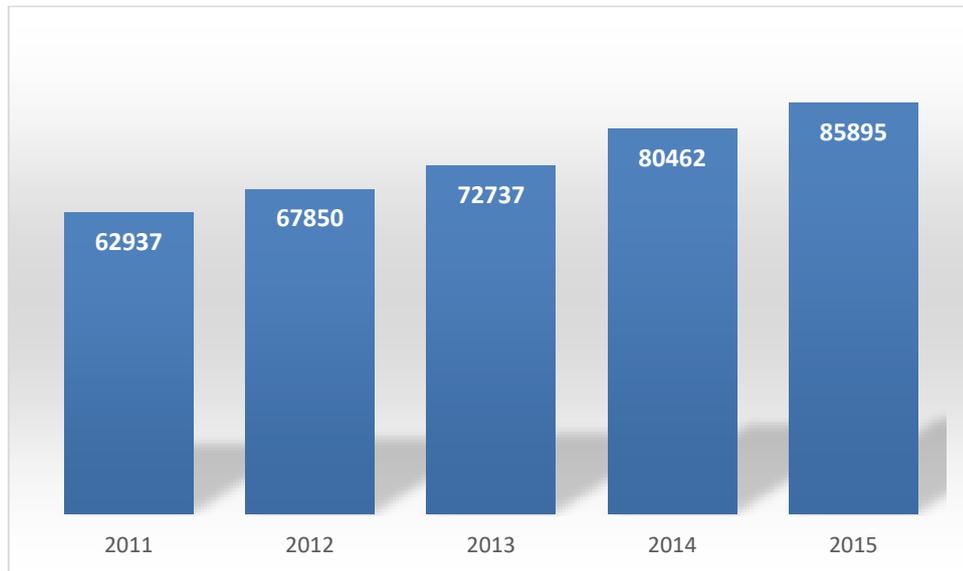


Fig. 2 Number of Functioning branches of PSBs (Source: DFS)

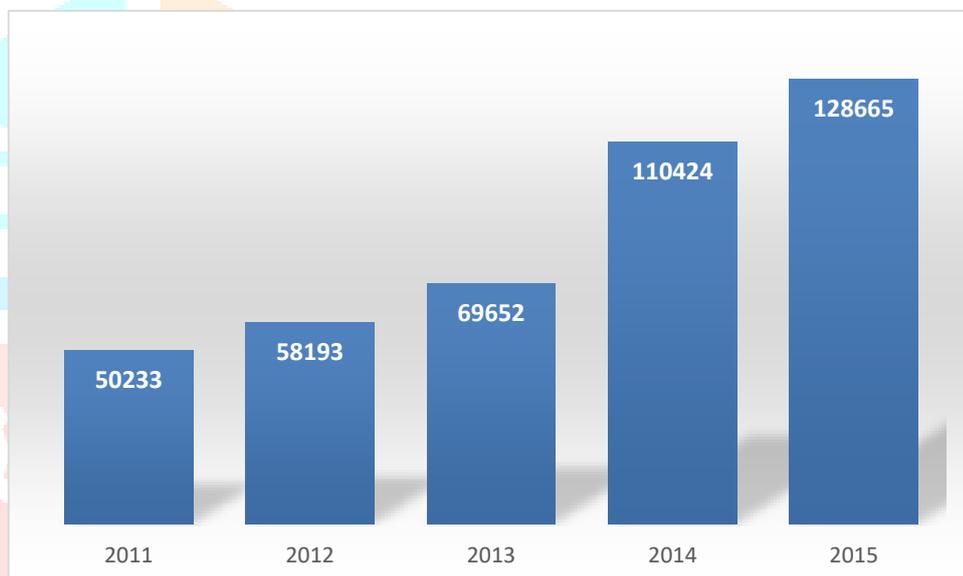


Fig.3 Number of ATMs of PSBs (Source: DFS)

### 3.1.2. Expansion of BCA Network:

- Banks have been advised by Department of Financial Services (DFS) to extend banking services to the entire geography of the country based on the concept of Sub Service Area (SSA) comprising of 1000-1500 households.
- In case of North-East, Hilly States and sparsely populated regions of other States banks may decide the households to be covered by each Business Correspondent Agent (BCA) appropriately.

### 3.1.3. Swabhimaan Scheme:

- Under the Swabhimaan campaign, the Banks were advised to provide appropriate banking facilities to habitations having a population in excess of 2000 (as per 2001 census) by March 2012.
- The banks identified approximately 74000 habitations across the country having a population of over 2000 for providing banking facilities.

- As per reports received from Banks, 74351 villages with population of above 2000 have been covered with banking facilities either by branches; Business Correspondents, mobile banking etc. by March 31, 2012.

India as on 2011, formal bank account ownership stood at only 35% of the population and which has been increased to 78% by 2021. (Global Findex, 2021).

### 3.2 Financial inclusion Post PMJDY:

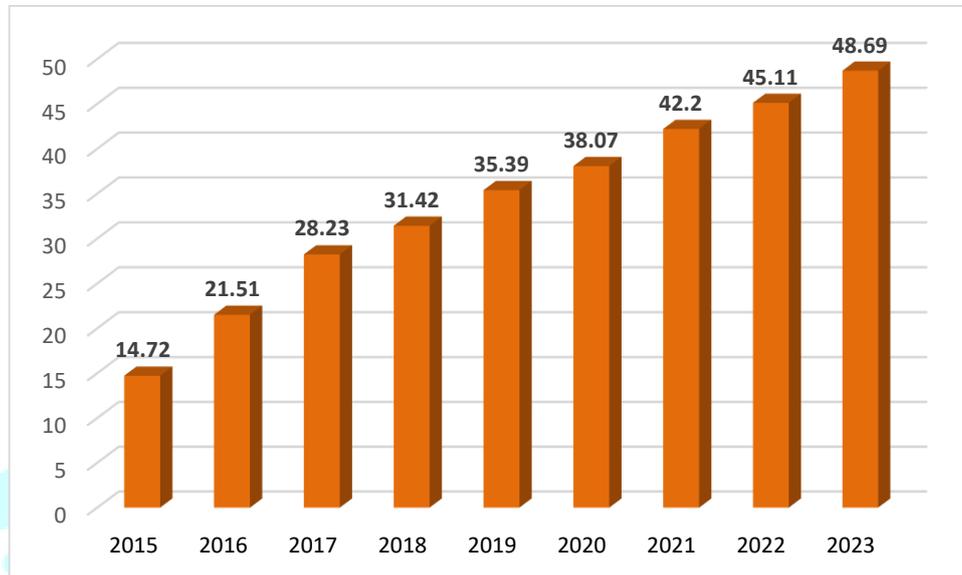


Fig.4 Number of PMJDY Beneficiaries from 2015 to 2023 (Source: PMJDY)

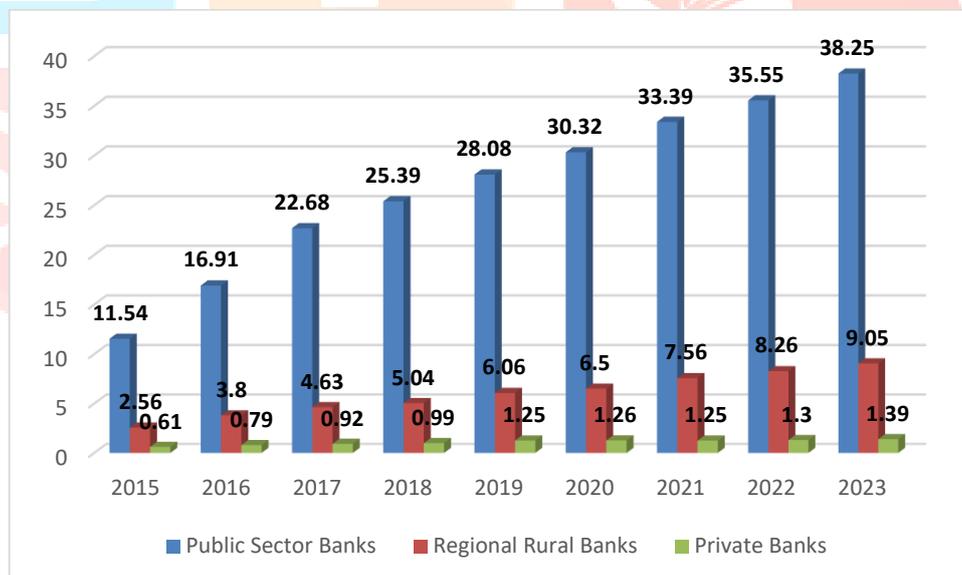


Fig. 5 Spread of PMJDY accounts among the Financial Institutions (Source: PMJDY)

From the above figures (Fig 4 & 5), it can be observed that total number accounts opened under PMJDY scheme is 48.69 crores as on March 2023 and it has grown over the period of five years from 14.72 crores in 2015 which is more than three times of the initial numbers. Very importantly, these accounts have total balance of around 2.02 lakhs crores which show financial power of poor people and financially excluded people when they put together. Banks can exploit this opportunity of serving these people by providing suitable financial products and services.

Further, PMJDY has issued 32.96 Crores of Rupay debit cards for the usage of banking services to the account holders. Rupay debit card is indigenous payment platform developed by National Payment Corporation of India. Rupay is similar to payment gateways like VISA, MASTER etc. It is noteworthy to mention that among

the scheduled commercial banks in India, Public Sector Banks are having lion share in writing the success story of PMJDY scheme with 78.56% of the total share of accounts.

Following the implementation of PMJDY, the financial landscape the rural population witnessed a significant transformation. Many local Financial Inclusion bank branches opened, offering accounts to all households. The results were as follows:

- **Increased Financial Inclusion:** Nearly all households in the most of the villages now had bank accounts, ensuring universal access to banking services. As of March 2023 total number of accounts holders in PMJDY increased to 48.69 crores as compared to 14.72 crores in March 2015. Out of these Public Sector banks are having a lion share with 78.56% of the account holding. 18% of the accounts are with Regional rural banks and 2.85% with Private Sector Bank.
- **Direct Benefit Transfer:** Government subsidies, such as cooking gas subsidies, were directly credited to the beneficiaries' bank accounts. During pandemic the scheme has seen record opening of bank accounts as a results of Govt's Pradhan Mantri Garib Kalyan Yojana. This reduced leakages and ensured that the intended recipients received the benefits. Pradhan Mantri Kisan Samman Nidhi is one more of its kind to promote more of PMJDY account openings by the rural population.
- **Access to Credit:** With a bank account, rural population gained access to formal credit facilities. They could avail small loans for agricultural purposes and other micro credits to meet their financial needs.
- **Financial Literacy:** The PSBs conducted regular financial literacy camps, helping villagers understand the benefits of saving, using debit cards, and accessing insurance. Union bank of India's Village Knowledge centre is one of the best example along with other Financial Literacy centres as a part of penetration of Financial literacy in the rural communities.
- **Savings and Economic Growth:** Residents began to save money in their accounts, fostering a culture of savings. This resulted in increased capital for investment in small businesses and agriculture, contributing to economic growth

### 3.3. Challenges and Future Directions:

While PMJDY achieved significant success, challenges such as low financial literacy and the need for better infrastructure in remote areas remain. Increasing cyber threats pose significant challenges in preserving the trust of the rural population in the banking system. Further, sustaining this performance for longer period could be one of the major challenges. Other challenges include

- Keeping the accounts "Active"
- Awareness in the PMJDY holders about other aspects of Financial inclusion and its benefits
- Covering every sector of population into financial inclusion
- Identifying appropriate technology for hassle free digital financial inclusion
- Educating large proportion of un-educated group of population about Cyber threats and digital enablement.

India has the highest share of people who have accounts but do not use them, The share of account owners with an inactive account varies across developing economies, but it is especially high in India at 35 percent, the highest in the world (Global Findex, 2021). Further the studies also reports that the main reasons for not using the bank accounts in India are distance from the financial institution, lack of trust and having no need. Future efforts should focus on continuing financial education, engaging the account holders with by micro credit, lending, enrolling in social security schemes along with educating on Digital financial inclusion, improving digital literacy and awareness about cyber security are need of the hour.

## IV. Conclusion:

The Pradhan Mantri Jan Dhan Yojana has been a game-changer for financial inclusion in rural India from bringing large proportion of more than 48 crores of population into formal banking sector in span of 8 years and the whole credit will go to the Public Sector Banks. The banks under the scheme not only provided access to formal banking services but also facilitated the efficient delivery of government benefits and promoted savings and economic growth in rural areas. While challenges exist, the program has laid a strong foundation for a more financially inclusive and empowered rural population and PSB's stood out in transforming the

Indian Banking sector by reaching each individual in each household of the country. Overall, while PMJDY has built the extensive physical and digital infrastructure, the next phase should focus more on functionality.

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