



IJMRBS

ISSN 2319-345X
Vol. 5, No. 2, April 2016

International Journal of Management Research and Business Strategy

www.ijmrbs.com



MEGHANA PUBLICATIONS

www.meghanapublications.com

PRADHAN MANTRI JAN DHAN YOJNA (PMJDY): A MAJOR STEP TOWARDS FINANCIAL INCLUSION IN INDIA

Bharati Pujari^{1*}

*Corresponding Author: **Bharati Pujari** ✉ bharati.pujari@gmail.com

Financial Inclusion is defined “as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as the weaker sections and low income groups at an affordable cost”. Financial inclusion is very important for the developing country like India. Till now large section of the people of India are in below poverty line. And the most important reason for poverty is being financially excluded. Inclusive growth becomes impossible without financial inclusion. Therefore to eradicate the financial untouchability the present Indian government has taken an initiative- Pradhan Mantri Jan Dhan Yojna (PMJDY) with the motto *Meraa Khaataa Vagya Vidhata*. The main objective of PMJDY is to cover all households in the country with banking facilities alongwith insurance coverage. The main purpose of this paper is to know the present status of financial inclusion with special reference to PMJDY in India. This also tries to analyze the progress of PMJDY, challenges regarding PMJDY and the suggestion for proper handling of challenges related to PMJDY. The study is based on secondary data which has been collected from various published sources, websites, articles, journals and newspapers. While analyzing the report it was known that incremental progress happened due to PMJDY. But Opening a new account is not a challenge rather than using that account is a big challenge for the government. This paper ends with a little concluding note stressing on the importance of spreading financial literacy and training program for using their accounts and government should focus more on quality of usage rather than quantity of opening account.

Keywords: Financial Inclusion, Financial Exclusion, Inclusive growth, Pradhan Mantri Jan Dhan Yojna

INTRODUCTION

Financial inclusion is now very necessary in each and every country—both for the developed and developing countries. It has the positive effect, which can facilitate many people to come out from the poverty. It is widely accepted that the objective

of the financial inclusion is to extend the scope of the activities of the financial system to include within its ambit the people with low income. “Financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit where needed by

¹ Research Scholar, Department of Business Administration, Sambalpur University.

vulnerable groups such as weaker sections and low income groups at an affordable cost. The various essential services include credit, saving, insurance and payments and remittance facilities.” In India the focus of the financial inclusion at present is confined to ensuring a bare minimum access to a savings bank account without frills, to all. Internationally, the financial exclusion has been viewed in a much wider perspective. Having a current account / savings account on its own, is not regarded as an accurate indicator of financial inclusion. There could be multiple levels of financial inclusion and exclusion. At one extreme, it is possible to identify the ‘super-included’, i.e., those customers who are actively and persistently courted by the financial services industry, and who have at their disposal a wide range of financial services and products. At the other extreme, we may have the financially excluded, who are denied access to even the most basic of financial products. In between are those who use the banking services only for deposits and withdrawals of money. But these persons may have only restricted access to the financial system, and may not enjoy the flexibility of access offered to more affluent customers.

Therefore to eradicate the financial untouchability from India, a scheme was launched by the Prime Minister of India on the August 28, 2014. That was Pradhan Mantri Jan Dhan Yojna (PMJDY). The scheme is based on ‘Sab Ka Sath Sab Ka Vikas’ with the motto *Meraa khataa Vagya Vidhataa*. The main objective of this scheme is to ensure universal access to banking facilities with at least one basic bank account for every household.

LITERATURE REVIEW

Financial Inclusion is important because it is considered as an important condition for sustaining growth. Such access is especially powerful for the poor as it provides them the opportunity to build savings, make investments and avail credit (Subbarao, 2009).

Rural households need access to financial institution that can provide them with credit at lower rates and at reasonable terms than the traditional money lenders and thereby help them avoid debt traps (Vallabh and Chathrath, 2006).

Chowhan and Pande (2014) made a study on the importance of financial inclusion and the impact of PMJDY on all the stakeholders in our country. This study concluded that the PMJDY protects the financial wealth. It also checks the money lenders to exploit the poor people by facilitating easy access to formal credit.

Goel (2014) analyzed the progress of PMJDY, issues and challenges of PMJDY. The study suggested that more focus is given on connectivity, infrastructure and financial literacy.

Khuntia (2014) analyzed the recent trends, key areas and the barriers in the process of financial inclusion in India with special reference to PMJDY. The study suggested the strategies to ensure maximum financial inclusion for the under privileged and unbanked areas.

Kumar (2014) offered some unique and innovative solution which can be augmented with the existing solutions to boost financial inclusion. The study concluded that financial inclusion is not standalone effort. Financial literacy, branch expansion, innovative services, e-governance, infrastructure, and various other integrated approaches should be implemented simultaneously.

OBJECTIVES

The present paper aims at fulfillment of the following objectives:

1. To give the progress report of financial inclusion.
2. To analyze the progress of PMJDY.
3. To discuss the various challenges related to PMJDY.

METHODOLOGY

The study is based on secondary data which has been collected from various published sources, websites, articles, journals and newspapers.

PROGRESS OF FINANCIAL INCLUSION

Census 2011 estimates that only 58.7% of the households have access to banking services. The present banking network of the country (as on 31.03.2014) comprises of a bank branch network of 1,15,082 and an ATM network of 1,60,055. Of these, 43,962 branches (38.2%) and 23,334 ATMs (14.58%) are in rural areas. According to World Bank Findex Survey (2012) only 35% of Indian adults had access to a formal bank account and 8% borrowed from a formal financial institution in last 12 months. Data from the RBI show that only 46,126 out of 640,867 villages in India were covered by banks in March 2014. Thus the need for financial inclusion is beyond question.

A lot of initiatives were taken buy a lot of agencies to improve the standard of financial inclusion but success did not happen because of the limited geographical coverage and absence of micro-credit, insurance and pension products. From the learning of past schemes, Hon'ble Prime Minister Shri Narendra Modi announced a new scheme PMJDY on August 15, 2014 for

weaker section of the society for providing banking, insurance and pension to shut out the problem of earlier schemes.

OVERVIEW OF PMJDY

Pradhan Mantri Jan DhanYojna aims at providing at least one bank account to each household across the country, with a target of covering 75 million households by January 26, 2015. The Know Your Customer (KYC) rules to open a bank account have been simplified; the only document required is either Aadhaar card, voters identity card, driving license, PAN card, or card issue under MGNREGA. Even if the address mentioned in the document is different from the current residence of the applicant, a self-declaration will suffice. For those who do not have any identity proofs, a small account could be opened with a self-attested photograph alongwith signature or thumb impression in the presence of the bank official.

The PMJDY is being implemented in two phases. The first phase covers august 2014 to August 15, 2015 and the second phase covers august 2015 to 2018. It is based on six pillars.

PHASE 1 (2014-2015) 15TH AUGUST

Service Area: Country will be divided into sub service areas. Each SSA will cover 1000-1500 households. Each household will have a banking outlet within 5 km of distance.

Account: Each household will have at least one bank account. A minor of ten years and above age can open account. Ru pay debit card will be introduced. One lakh accidental cover will be there. If a person can open account before January 26, 2015, he/she will get an additional 30,000 life insurance cover. If there will be good

credit history for first six months, 5000 overdraft facility will be there.

Literacy: Financial literacy programs will be organized to make people aware of benefits of saving and investing money.

Phase 2 (2015-2018)

Credit Guarantee Fund: Credit guarantee fund will be there to cover losses in overdraft.

Insurance: If PMJDY account holder is interested to buy, he/she can purchase micro insurance products.

Direct Benefit Transfer: Those people can get NPS pension they can get directly get in Jan Dhan accounts. Government is trying for direct benefit transfer.

PROGRESS OF PMJDY

The scheme was launched with initial target of opening 7.5 crore accounts. After that government extended its target to open about 10 crore accounts by January 26, 2015. Now (16.09.2015) we have 18.34 accounts in banks.

Financial Inclusion Plan-Progress of all

Banks Including RRBs

The study of Table 1 (which is given later) reveals that in recent years there is an incremental progress in the figures of banking outlets, number of branches, amount in Basic Saving Bank Deposit Account (BSBDAs) and overdraft facility availed by BSBDAs. In 2010 the number of banking outlet was 33378 which increased to 49571 in March 2015. Accordingly the number of BSBD account was 60.2 million which increased to 210.3 million in March 2015.

No. of Accounts Opened Under Different Sector Banks

Table 2 reveals that till September 16, 2015 more than 18 crores bank accounts opened of which more than 11 crores are in rural and seven crores in urban areas, with Rs. 24071.38 cr have been opened under the scheme. It is also clear from the Table that the performance of PSBs is at the top followed by RRBs and PBs. PSBs are contributing more in PMJDY which is evident from the fact that their number of accounts opened, number of RuPay Debit Card issued are more than 81%. However, RRBs and PBs are contributing less which is reflected from the fact

Table 1: Progress Report of Financial Inclusion of All Banks Including RRBs

S. No.	Particulars	Year ended March, 2010	Year ended March, 2014	Year ended March, 2015	Progress March 2014- March 2015
1.	Banking Outlets in Villages- Branches	33,378	46,126	49,571	3,445
2.	Banking Outlets in Villages- Branchless mode	34,316	3,37,678	5,04,142	1,66,464
	Total	67,694	3,83,804	5,53,713	1,69,909
3.	BSBDAs through branches (No. in millions)	60.19	126.00	210.3	84.3
4.	BSBDAs through branches (Amt. in billions)	44.33	273.30	365.00	91.7
5.	Overdraft Facility Availed in BSBDAs (No. in millions)	0.18	5.90	7.6	1.7
6.	Overdraft Facility Availed in BSBDAs (Amt. in billions)	0.10	16.00	19.9	3.9

Source: RBI Annual Report, 2014-15

Table 2: Pradhan Mantri Jan Dhan Yojana (Accounts Opened As on 17.02.2016)

(All figures in crores)

S. No.	Bank Name	No of Accounts			Bal in Account	Amount in Zero balance Account
		Rural	Urban	Total		
1	Public sector banks	9.16	7.26	16.42	25869.69	7623.80
2	Regional Rural banks	3.18	0.52	3.70	5637.42	1413.86
3	Private sector banks	0.45	0.30	0.75	1223.62	477.33
4.	Total	12.79	8.08	20.87	32730.73	9514.99
5.	% contribution of public sector banks	71.62	89.85	78.68	79.04	80.12
6.	% contribution of Regional Rural banks	24.86	6.43	17.73	17.22	14.86
7.	% contribution of private sector banks	3.52	3.71	3.59	3.74	5.02

that their number of accounts opened, number of RuPay Debit Card issued and balance in accounts opened are nearer to 15% and 4% respectively.

State Wise Household Coverage Report

From Table 3 it was known that almost all states have achieved 100% of household coverage except Karnataka, Odisha, Chhatisgarh, Assam, Meghalaya, Manipur, Jammu and Kashmir and Mijoram but they have already achieved more than 99%. That means within a short span of time they can achieve 100%.

Activities Undertaken by Financial Literacy Center

Financial Literacy Camps

Financial Literacy Centers (FLCs) and rural branches of banks are required to conduct financial literacy camps at least once a month with focus on financially excluded people.

Activities Undertaken by Financial Literacy Center

From the Table 4 it was known that as at end March 2015, 1,181 FLCs were operational in the

country, up from 942 as at end March 2014. After attending the camps 1442546 participants opened their accounts.

Activities Undertaken by Rural Branches

From the Table 5 it was known that during the period April 2014 to March 2015, financial literacy camps were conducted by 32,509 rural branches of banks and 5.7 million participants opened accounts in the camps organized by the rural branches of banks.

Challenges of PMJDY

- To get insurance or overdraft facility there is big possibility of opening account under JDY from those who have account already. There is no check on the new account holder. So there is a chance of duplication of account.
- More than 80% of zero bank accounts are dormant. They have accessed to banking but they are not using the bank account.
- In cases where customers receive wages under MGNREGA, they simply withdraw the entire money after the NREGA disbursement.

Table 3: State Wise Household Coverage Report as on 17.02.2016

State / UT	Coverage%	State / UT	Coverage%
Big States (Over 40 Lakh Households)		Small States (Less than 40 Lakh Households)	
KERALA	100	LAKSHADWEEP	100
PUNJAB	100	CHANDIGARH	100
GUJARAT	100	GOA	100
TAMIL NADU	100	DADRA & NAGAR HAVELI	100
KARNATAKA	99.91	TRIPURA	100
UTTAR PRADESH	100	PUDUCHERRY	100
WEST BENGAL	100	DAMAN & DIU	100
MAHARASHTRA	100	MIZORAM	99.92
HARYANA	100	NCT OF DELHI	100
MADHYA PRADESH	100	UTTARAKHAND	100
JHARKHAND	100	SIKKIM	100
CHHATTISGARH	99.98	HIMACHAL PRADESH	100
TELANGANA	100	MEGHALAYA	100
ASSAM	99.96	JAMMU & KASHMIR	99.71
ORISSA	99.85	ANDAMAN & NICOBAR ISLANDS	100
BIHAR	100	MANIPUR	99.76
RAJASTHAN	99.99	NAGALAND	99.92
ANDHRA PRADESH	100	ARUNACHAL PRADESH	100

Source: compiled by the researcher from the website WWW/pmjdy.gov.in

Table 4: Activities Undertaken by Financial Literacy Center

Particulars	2013-2014	2014-2015#
No of operational FLCs	942	1181
No of activities conducted	56985	84089
Total no of participants	3826068	5238358
No of participants opened accounts after attending the camps	NA	1442546
No of participants already having accounts while attending camps	NA	2896204
#: Provisional		

Source: RBI Annual Report 2014-2015

Table 5: Activities Undertaken by Rural Branches

Particulars	2014-15*
No of rural branches	52934
No of rural branches conducted camps	32509
No of camps conducted	306188
Total no of participants	14826647
No of participants opened accounts after attending the camp	5657092
*: Provisional	
<i>Source: RBI Annual Report 2014-2015</i>	

- PMJDY gives free accident insurance cover of 1 lakh. But there is a condition that rupay debit card must be used at least once in 45 days. For the remote villagers it may not be possible.
- There are some allegations of malpractice of Business correspondent that for opening a new account, they ask 100 rupees as service charge, some ask for separate commission from the illiterate villagers for withdrawing money.
- PMJDY aims to make all scheme subsidy payments directly to Jan Dhan bank account. But Aadhaar project is yet to cover all residents. Aadhaar is not compulsory to get govt. benefits.
- It does not create legal safeguards to protect poor from miss-selling of financial services.
- There is a chance of non recovery of overdraft facility.
- PMJDY strongly believes on the BC model for expanding the banking network but Business correspondents' remuneration is very low. With less remuneration how can we think that they can effectively do their job.

Opening a new account is not a challenge but increasing the transaction, using that account is a big challenge for the government.

Suggestions

- As there is a chance of duplication of account, some measures are required to control the duplication of accounts so that the benefits can go to the needy one.
- Credit facility is available to only one account per household, preferably lady of the household. It should be given to all account holders. So that everybody can get profit out of it.
- Because of financial illiteracy, there is lack of financial inclusion. So Financial Literacy and Credit Counseling (FLCC) programs are necessary for the success of this scheme.
- Business Correspondents' remuneration should be increased.
- As the result of BC model is unsatisfactory, the PMJDY should give more emphasis on physical branches where the people have high degree of belief.
- PMJDY should not focus on quantity rather than quality.

CONCLUSION

The main aim of PMJDY is to reduce the financial untouchability, to eradicate the poverty and to provide financial inclusion. Financial Inclusion requires sustained efforts over many years and emphasis on quality rather than quantity should be the priority. And to achieve this, awareness and financial literacy level has to be improved through different programs by different agencies.. In order to ensure successful and effective implementation of the scheme, it is suggested for the establishment of adequate number of FLC, measures to control the duplication of accounts. It is also suggested that life insurance cover, accidental cover and credit facilities should be given to all account holders without any exclusion. We have to take it as our priority. So without any doubt it is true that PMJDY is a strong step towards financial inclusion with the philosophy 'Sab ka Sath sab Ka Vikas'.

REFERENCES

1. Barhate G H and Jagtap V R (2014), "Pradhan Mantri Jan-DhanYojana: National Mission on Financial Inclusion", *International Journal of Applied Research*, Vol. 4, No. 12, Dec, pp. 340-342.
2. Paramasivan C and Ganeshkumar V (2013), "Overview of Financial Inclusion in India Overview of Financial Inclusion in India", *International Journals of Management and Development Studies*.
3. Chowhan S S and Pande J C (2014), "PradhanMantri Jan DhanYojana : A Giant Leap Towards Financial Inclusion", *International Journal of Research in Management and Business Studies* , Vol. 1, No. 4 , Oct. – Dec. pp. 19-22.
4. Goel J and Goel R (2015), "PradhanMantri Jan DhanYojana : An Innovative Scheme for Financial Inclusion in India", *Research Journal of Social Science and management*, Vol. 04, No. 09, p. 315.
5. Khuntia R. (2014). PradhanMantri Jan DhanYojana : A New Drive Towards Financial Inclusion in India , ZENITH, International Journal of Business Economics and Management Research, Vol. 4 , No. 11 , November, pp. 10-20.
6. Kumar V (2014), "Financial Inclusion in India: Unique Solutions", *Indian Streams Research Journal*, Vol. 4 , No. 8 , Sept, pp. 1-3.
7. Leeladhar V (2005), "Taking Banking Services to Common Man: Financial Inclusion", Commemorative Lecture by ShriLeeladhar, Deputy Governor, RBI, Fedbank Hormis Memorial Foundation, Ernakulam, December 2.
8. Rangarajan C (2008), "Report of the Committee on Financial Inclusion, National Bank for Agriculture and Rural Development (NABARD)", Mumbai, January.
9. Singh K (2014), Commentary on Jan DhanYojna: Ambitious but Ambiguous Plan, Sept 23.
10. Subbarao D, "Financial Inclusion: Challenges and Opportunities".

WEB REFERENCES

1. <http://www.wikipedia.com>
2. http://rbidocs.rbi.org.in/rdocs/Bulletin/PDFs/RBIARE210814_FULL.pdf
3. <http://www.pmjdy.gov.in>



International Journal of Management Research and Business Strategy

Hyderabad, INDIA. Ph: +91-09441351700, 09059645577

E-mail: editorijmrbs@gmail.com or editor@ijmrbs.com

Website: www.ijmrbs.com

