



Pradhan Mantri Jan Dhan Yojana: An overview

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Abstract

The scheme was launched by PM Narendra Modi on 15 August 2014. Slogan of the Scheme is "Mera Khatha, Bhagya Vidhatha (it means "My Account brings luck to me". Prime Minister's People Money Scheme is India's National Mission for Financial Inclusion to ensure access to financial services, namely Banking Savings & Deposit Accounts, Remittance, Credit, Insurance, Pension in an affordable manner. This financial inclusion campaign was launched by the Prime Minister of India Narendra Modi on 28 August 2014. He had announced this scheme on his first Independence Day speech on 15 August 2014. By 1 February 2017, over 27 crores (270 million) bank accounts were opened and almost ₹665 billion (US\$10 billion) were deposited under the scheme.

Keywords: Pradhan Mantri Jan Dhan Yojana, insurance, affordable, scheme

Introduction

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 fulfil minimum balance criteria. RBI set up the Khan Commission in 2004 to look into financial inclusion and the recommendations of the commission were incorporated into mid-term review of the policy (2005-2006) and urged banks to review their existing practices to align them with the objective of financial inclusion. Reserve Bank of India (RBI), vide its Press Release dated 26.08.2014, has further clarified that those persons who do not have any of the 'officially valid documents' can open "Small Accounts" with banks. A "Small Account" can be opened on the basis of a self-attested photograph and putting his/her signatures or thumb print in the presence of officials of the bank. Such accounts have limitations regarding the aggregate credits (not more than Rupees one lakh in a year), aggregate withdrawals (not more than Rupees ten thousand in a month) and balance in the accounts (not more than Rupees fifty thousand at any point of time). These accounts would be valid normally for a period of twelve months. Thereafter, such accounts would be allowed to continue for a further period of twelve more months, if the account-holder provides a document showing that he/she has applied for any of the Officially Valid Document, within 12 months of opening the small account. Honourable Prime Minister Narendra Modi announced Pradhan Mantri Jan Dhan Yojana scheme for comprehensive financial inclusion on his first Independence Day speech on 15th August, 2014. The scheme has been started with a target to provide universal access to banking facilities starting with basic banking

accounts with overdraft facility of Rs. 5,000 after six months and RuPay Debit Card with inbuilt accident insurance cover of Rs. 1Lakh and RuPay Kisan card. In the next phase, micro insurance and pension etc. will also be added. Reports said that, on 28th August, more than 1.5 crore bank accounts were opened in a single day. The main objective of this scheme is that easy financial services for the excluded section i.e. weaker sections 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.

Objectives of study

The paper has following objectives:

- To discuss Pradhan Mantri Jan Dhan Yojana Concept.
- To study the various Challenges and prospectus Pradhan Mantri Jan Dhan Yojana.

Methodology

The present study is conceptual survey with exploratory cum descriptive in nature. It is based on the analysis of secondary data. The secondary data is availed from various journals, internet, and books.

Concept

The government of India and RBI working are aggressive to bring larger section of Indian population within the banking system. Khan commission (2004) recommended for financial inclusion was by providing financial service to the economically poor section of Indian population at a sustainable cost and to create a platform to inculcate the habit of saving money and to provide formal footpaths for credit. In

this regard government of India launched Pradhan Mantri Jan Dhan Yojana (PMJDY) on 28th August, 2014 with the intension to reach weaker section and lower income groups have no access to financial service like savings, credits and insurance as well as to increase financial inflow to the bank. PMJDY aims at providing bank account to single household above the age of 10 years who do not have bank account and will be opened with zero balance. PMJDY was introduced by government of India on 28th August, 2014 to ensure comprehensive financial inclusion of all the households in the country. PMJDY envisions universal access to banking services and products with at least one banking account for every household in the country. This scheme came into picture with a view to provide comprehensive and inclusive growth. The PMJDY was launched with the ambitious task of opening bank accounts for all Indians. It seeks to:

- Expand financial inclusion in the country
- Provide direct cash transfers and other government benefits directly to bank accounts
- Mobilize savings for the benefit of the national economy

However, although its objectives were well-intentioned, its performance has been mixed.

Positives

- Many sections of the population including those from rural areas, minorities, women, etc. who were hitherto unbanked have been able to open bank accounts
- Success of MGNREGA, LPG subsidy transfers (PAHAL scheme), among others demonstrate the efficacy of JDY

Pradhan mantri Jan dhan yojana aims at making the unbanked banked by providing formal banking services. banking service availability in turn will aid in mobilization of resources and increasing credit access, thus socio-economic output for entire economic growth.

Objectives

- Ensuring access to financial services.
- Providing need based credit.
- Promotion of financial inclusion for:
 - Weaker sections.
 - Low income groups.
- Use of technology for providing financial penetration.
- Providing low cost banking services solutions.
- Universal access to bating services.
- At least one basic banking account for every household.
- Provision of financial literacy.
- Access to credit, insurance and pension facilities.
- Channelizing government benefits to accounts of beneficiaries.
- Promotion of DBT (Direct Benefits Transfer) Scheme.
- Addressing low connectivity and lack of financial inclusion.

Mission mode objectives (6 Pillars)

PMJDY to be executed in the Mission Mode, envisages provision of affordable financial services to all citizens within a reasonable distance. It comprises of the following six pillars:-

- Universal access to banking facilities: Mapping of each district into Sub Service Area (SSA) catering to 1000-

1500 households in a manner that every habitation has access to banking services within the reasonable distance say 5 km by 14th August, 2015. Coverage of parts of J&K, Himachal Pradesh, Uttarakhand, North East and the Left Wing Extremism affected districts which have telecom connectivity and infrastructure constraints would spill over to the Phase II of the program (15 August 2015 to 15th August, 2018)

- Providing Basic Banking Accounts with overdraft facility and RuPay Debit card to all households: The effort would be to first cover all uncovered households with banking facilities by August, 2015, by opening basic bank accounts. Account holder would be provided a RuPay Debit Card. Facility of an overdraft to every basic banking account holder would be considered after satisfactory operation / credit history of six months.
- Financial Literacy Programme: Financial literacy would be an integral part of the Mission in order to let the beneficiaries make best use of the financial services being made available to them.
- Creation of Credit Guarantee Fund: Creation of a Credit Guarantee Fund would be to cover the defaults in overdraft accounts.
- Micro - Insurance: To provide micro- insurance to all willing and eligible persons by 14th August, 2018, and then on an ongoing basis.
- Unorganized sector Pension schemes like Swavalamban: By 14th August, 2018 and then on an ongoing basis. Under the mission, the first three pillars would be given thrust in the first year.

Challenges identified in the implementation of the Mission:

- Telecom connectivity: The feedback from the Banks is that in tribal and hilly areas of the country, the telecom network is not reliable and therefore setting up Bank Mitr (Business Correspondent) in these areas and ensuring opening of bank accounts is going to be difficult. A meeting was held with representatives of the Department of Telecom (DoT) and BSNL in this regard and it was assured that the ongoing telecom connectivity problems would be resolved by mutual consultation. It was also informed that DoT is separately seeking the Government approval to cover all villages in the North East and difficult areas with telecom connectivity. Banks would also work to utilize the National Optical Fibre Network (NOFN) when it reaches the Panchayat level.
- Keeping the accounts "Live": It is essential that all Government Benefits-Central, State or local should flow to these accounts as it has been observed that a lot of duplicity exists in this area and sometimes States have not followed the service area approach and allocated areas to some banks other than service area banks creating avoidable confusion. The DBT schemes especially MNREGA need to be pushed and DBT in LPG needs to be restarted. The list of DBT schemes at present may be seen in Annexure 6.
- Brand awareness and sensitization: In order to achieve a "demand" side pull effect, it would be essential that there is Branding and awareness on Bank Mitr (Business Correspondent) model for providing basic banking

services, Banking Products available at Bank Mitra (Business Correspondent) outlets and RuPay Cards. Customers to be made aware that overdraft of up to ₹ 5,000/- to be provided in their account is a credit facility which needs to be repaid in order to get fresh limits and is not a grant.

- Commission to Bank on Direct Benefit Transfer (DBT): A task force on Aadhaar Enabled Unified Payment infrastructure headed by Sh. Nandan Nilekani in its report Feb, 2012 recommended that last mile transaction cost of 3.14 % with a cap of ₹ 20/- per transaction be budgeted for various EBT, DTS and last mile payments through Micro-ATMs and ATMs. The commission applicable for DBT should also cover DBTL (DBT of LPG). MGNREGA may also be included in Direct Benefit Transfer.
- Coverage of difficult areas: Parts of North East, Himachal Pradesh, Uttarakhand, J&K and 82 Left Wing Extremism (LWE) districts face challenges of infrastructure besides Telecom connectivity. All households in such areas may not be fully covered under the campaign. Coverage of some of the areas might, therefore, spill over to Phase-II.

Criticism

The scheme has been criticized by opposition as an effort to please voters that has created unnecessary work-burden on the public sector banks. It has been claimed that the poor deserves food more than bank accounts and financial security. Further, these accounts have not yet added considerable profits to PSU banks. According to the experts, offers like zero balance, free insurance and overdraft facility would result in duplication. Many individuals who already have bank accounts may have had accounts created for themselves, lured by the insurance covers and overdraft facilities. As per the scheme, a very few people are eligible to get the life insurance worth ₹30,000 (US\$470) with a validity of just five years. The claimed overdraft facility has been completely left upon the banks. As per the government notice, only those people would get the overdraft facility whose transaction record is satisfactory and financially. PMJDY is a scheme for financial inclusion of the citizens both rural and urban.

The positive aspects of the scheme are: -

1. Opening of crores of accounts with many people from remote areas having a bank account is a milestone.
2. Including PSBs in opening bank accounts and harnessing their potential for the development.
3. Greater financial inclusion achieved with people transacting through bank accounts and utilizing RuPay card as well.
4. Dissemination of subsidies like PDS, MGNREGA payments etc. through bank accounts increased purchasing power, reduced leakages, improvement in wages etc.

Untapped economic potential brought under the banking system benefiting the country and banking correspondents acting as channels.

Negative Aspects

1. Many accounts lying unused due to problems of lack of accessibility to banks.

2. Overdraft facility is not being used effectively due to lack of awareness.
3. Financial literacy is poor in marginal rural areas.

Advantages and Disadvantages of schemes

Advantages

- It has enabled rural economy to get access to social services via DBT like seeds and LPG subsidy, making them self-sufficient in terms of finance availability.
- With the introduction of new technology introduced by National Payments Corporation of India (NPCI), a person can transfer funds, check balance through a normal phone which was earlier limited only to smart phones so far.
- It has aided in deepening the penetration of digital service and infrastructure like CSC's, white label ATM's, e-governance services like m-sewa and m-kisan.
- Mobile banking for the poor would be available through National Unified USSD platform (NUUP) for which all banks and mobile companies have come together.
- It is transparent and responsive mechanism of fund transfer in PMJDY has contributed in identification of beneficiaries and expand the network of resource accessibility in rural areas.
- It reduced fiscal deficit and subsidy leakages thus containing food inflation, simultaneously leading to improved economic spending among masses.
- Account holder will have debit card which can be used for E-Commerce transactions.

Disadvantages

- Bank account has remained underutilized, due to lack of employment opportunities.
- Limited access to digital infrastructure and resources have reduced its significance for inclusion of remote and far-flung poverty stricken areas.
- Hostile areas like LWE. Naxalites affected regions, have remained excluded from the benefits of easy finance and credit availability.

Challenges of Pradhan Mantri Jan Dhan Yojana

- No frills bank account to one member of the individual household especially women.
- Business correspondents if made to accomplish the objective may misuse the authority and thereby making the life of people under below poverty line miserable.
- It will be proponent too JAM trinity, through which beneficiaries will be identified for social sector schemes, giving the way for Direct Benefit Transfer, which will subsequently not help in getting rid of subsidy leakages.
- Overburdened banks - PMJDY affecting their performance.
- Overdraft facility could add to financial burden of banks.
- Dormant accounts adding operational charges to banks.
- Still a huge mass is out of the reach.
- Financial literacy aspect still not covered.
- KYC norms are not insisted under this programme; therefore, duplication is unavoidable.
- Bank mitra to be appointed in terms of lakhs. They should be properly trained with accurate knowledge, skill and attitude and the outcome of the training shall be visible in

terms of accomplishing the target.

- Making every village a Swavalamban village is considered to be an advantage but the lack of infrastructure may become a major hurdle for the effective implementation.

Conclusion

The paper concludes that the Scheme is effective in passing on benefits to poor persons if implemented properly and concerns addressed. PMJDY recognised by Guinness Book of World Records for maximum accounts (18,096,130) from August 23rd to 29th 2014: Hasmukh Adhia Encouraging numbers:

- Of accounts opened, 60% in rural areas
- Share of Female Account Holders 51%
- RuPay Issued to more than 10 crore persons

Accounts used for payment of wages under MNREGA scheme and LPG subsidy INR 33,000 crore routed through bank accounts for MNREGA, LPG and so on

- Issuance of card will encourage cashless transactions and prevent back money
- Overdraft will act as micro-finance and prevent loans at massive rates; discourage Ponzi schemes and financial frauds like, Sahara scam.
- This scheme has a lot of potential if well implemented and monitored to address the challenges presently arising; Has the scope to be a “win-win” situation for bankers and customers alike, as well as the nation through eradication of financial untouchability.

Success of the PMJDY scheme depends on the effective regulatory system as in the stakeholders have to build a sustainable ecosystem to keep the accounts active and successful implementation of the programme. The challenge is the conversion of the non-operative accounts with zero balance into operative and for this it's important to focus on financial literacy programme. Inclusive growth “Sab Ka Sath Sub Ka Vikas” is central to our development philosophy. This mission would enable all households, urban and rural to gain easy and universal access to financial services.

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