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## A STUDY ON ROLE OF PRADHAN MANTRI JAN DHAN YOJANA IN FINANCIAL INCLUSION

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***As long as poverty, injustice and gross inequality persist in our world, none of us can truly rest.<sup>1</sup>***

***- Nelson Mandela***

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### ABSTRACT

*The Government of India is constantly making efforts for promoting and meeting the financial needs of the people living in India especially in the Rural Sector. Some of the major efforts made in the last five decades include - nationalization of banks, building up of robust branch network of scheduled commercial banks, co-operatives and regional rural banks, formation of self-help groups, etc. The paper aims to establish the strong understanding of PMJDY and the effects of PMJDY in our economy. It has also tried to explain the facts and figures of PMJDY and its current status. Though there were some challenges during establishing this scheme and the opposition also raised their voice against the Modi Government, as they said that it is one of the act of pleasing voters. Instead of the various statements made by the opposition and critics we can say that it is one of the greatest steps ever taken to destroy poverty is inclusive financing through PMJDY. For the success of any scheme constant assessment and regular check is very much required and the government will definitely do the necessary.*

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### INTRODUCTION

In spite of 70 years of self-governing nation, India is still fail to provide the financial services to the masses with nearly half the household remaining unbanked and nearly more than 85% of the villages don't have bank branches. Mainly most of the people in this sector don't think that why they need bank accounts or loans from the formal sector to the informal sector.

The Government of India and the Reserve Bank of India have been making concerted efforts to promote financial inclusion as one of the important national objectives of the country. Some of

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<sup>1</sup>[https://www.brainyquote.com/quotes/nelson\\_mandela\\_737776?src=t\\_poverty](https://www.brainyquote.com/quotes/nelson_mandela_737776?src=t_poverty)

the major efforts made in the last five decades include - nationalization of banks, building up of robust branch network of scheduled commercial banks, co-operatives and regional rural banks, introduction of mandated priority sector lending targets, lead bank scheme, formation of self-help groups, permitting BCs/BFs to be appointed by banks to provide door step delivery of banking services, zero balance BSBD accounts, etc.

### OBJECTIVES

- To get a strong understanding of PMJDY.
- To understand the notion of inclusive financing.
- To analyze the statistics of PMJDY in the last four years.

### FINANCIAL INCLUSION IN INDIA

*Financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost.*

*-The Committee on Financial Inclusion, Chairman: Dr. C. Rangarajan.<sup>2</sup>*

Financial inclusion broadens the resource base of the financial system by emerging a culture of savings among large segment of rural population and plays its own role in the procedure of economic development. Further, by bringing low income groups within the edge of formal banking sector; financial inclusion protects their financial wealth and other resources in crucial circumstances. Financial inclusion also mitigates the mistreatment of vulnerable sections by the extortionate money lenders by facilitating easy access to formal credit. Financial inclusion is delivery of banking services at an affordable cost ('no frills' accounts,) to the vast sections of disadvantaged and low income group.<sup>3</sup>

### PRADHAN MANTRI JAN DHAN YOJANA (PMJDY):

Pradhan Mantri Jan Dhan Yojana is the National Scheme launched by the Prime Minister of our country in August 2014. This service aims at providing the financial services to the vulnerable groups and the weaker sections of the society. The Prime Minister said on this occasion- "Let us celebrate today as the day of financial freedom. The scheme has been started with a target to provide 'universal and clear access to banking facilities' starting with "Basic Banking Accounts"

### BENEFITS OF PRADHAN MANTRI JAN DHAN YOJANA (PMJDY):

The financial services which are provided under this scheme are<sup>4</sup>:

- Accidental insurance cover of Rs.1.00 lakh.

<sup>2</sup><https://rbidocs.rbi.org.in/rdocs/Speeches/PDFs/MFI101213FS.pdf>

<sup>3</sup> <http://studylib.net/doc/18651969/brochure-23-aug-14-rev---pradhan-mantri-jan>

<sup>4</sup>[https://en.wikipedia.org/wiki/Pradhan\\_Mantri\\_Jan\\_Dhan\\_Yojana](https://en.wikipedia.org/wiki/Pradhan_Mantri_Jan_Dhan_Yojana)

- No minimum balance required.
- Life insurance cover of Rs.30, 000/-
- Easy Transfer of money across India.
- Beneficiaries of Government Schemes will get Direct Benefit Transfer in these accounts.
- After satisfactory operation of the account for 6 months, an overdraft facility will be permitted.
- Access to Pension, insurance products.
- Accidental Insurance Cover, RuPay Debit Card must be used at least once in 45 days.
- Overdraft facility up to Rs.5000/- is available in only one account per household, preferably lady of the household.
- Interest on Deposits

#### **FACTS & FIGURES ABOUT PRADHAN MANTRI JAN DHAN YOJANA (PMJDY):**

By September 2014, 3.02 crore accounts were opened under the scheme, amongst Public sector banks, SBI had opened 30 lakh (3 million) accounts, followed by Punjab National Bank with 20.24 lakh (2 million) accounts, Canara Bank 16.21 lakh (1.62 million) accounts, Central Bank of India 15.98 lakh (1.59 million) accounts and Bank of Baroda with 14.22 lakh (1.42 million) accounts. The data which was issued by the finance ministry of the country till September 2014 reveals that 40 million bank accounts have been opened under this scheme since it has been launched.<sup>5</sup>

**Table-1**

S. NO.	TYPE OF BANKS	NUMBER OF ACCOUNTS OPENED
1.	STATE BANK OF INDIA	30 LAKHS
2.	PUNJAB NATIONAL BANK	20.24 LAKHS
3.	CANARA BANK	16.21 LAKHS
4.	CENTRAL BANK OF INDIA	15.98 LAKHS
5.	BANK OF BARODA	14.22 LAKHS

There are two phases of the PMJDY Scheme

Phase I: From the year 2014-2015 (August 15)

Phase II: From the year 2015-2018 (August 15)<sup>6</sup>

The table highlights about the accounts opened in the year 2015

<sup>5</sup>[http://www.csirs.org.in/downloads/ijisshr/vol\\_2\\_issue\\_1/PMJDY-A-CONCEPTUAL-ANALYSIS-AND-INCLUSIVE-FINANCING.pdf](http://www.csirs.org.in/downloads/ijisshr/vol_2_issue_1/PMJDY-A-CONCEPTUAL-ANALYSIS-AND-INCLUSIVE-FINANCING.pdf)

<sup>6</sup> <http://vikaspedia.in/social-welfare/financial-inclusion/pradhan-mantri-jan-dhan-yojana>

**Table-2**(All figures in Crore)

<u>S. No.</u>	<u>Type of Banks</u>	<u>Number of Banks</u>			<u>Balance in Accounts</u>
		<u>Rural</u>	<u>Urban</u>	<u>Total</u>	
1.	Public Sector Banks	6.93	5.77	12.70	14357.46
2.	Private Sector Banks	2.47	0.43	2.90	3258.48
3.	Rural Regional Banks	0.40	0.28	0.68	1068.61
<b>TOTAL</b>		<b>9.80</b>	<b>6.48</b>	<b>16.28</b>	<b>18684.55</b>

*Disclaimer: Information is based upon the data as submitted by different banks/SLBCs*

*Source: <http://pmjdy.gov.in/account-statistics-country.aspx>*

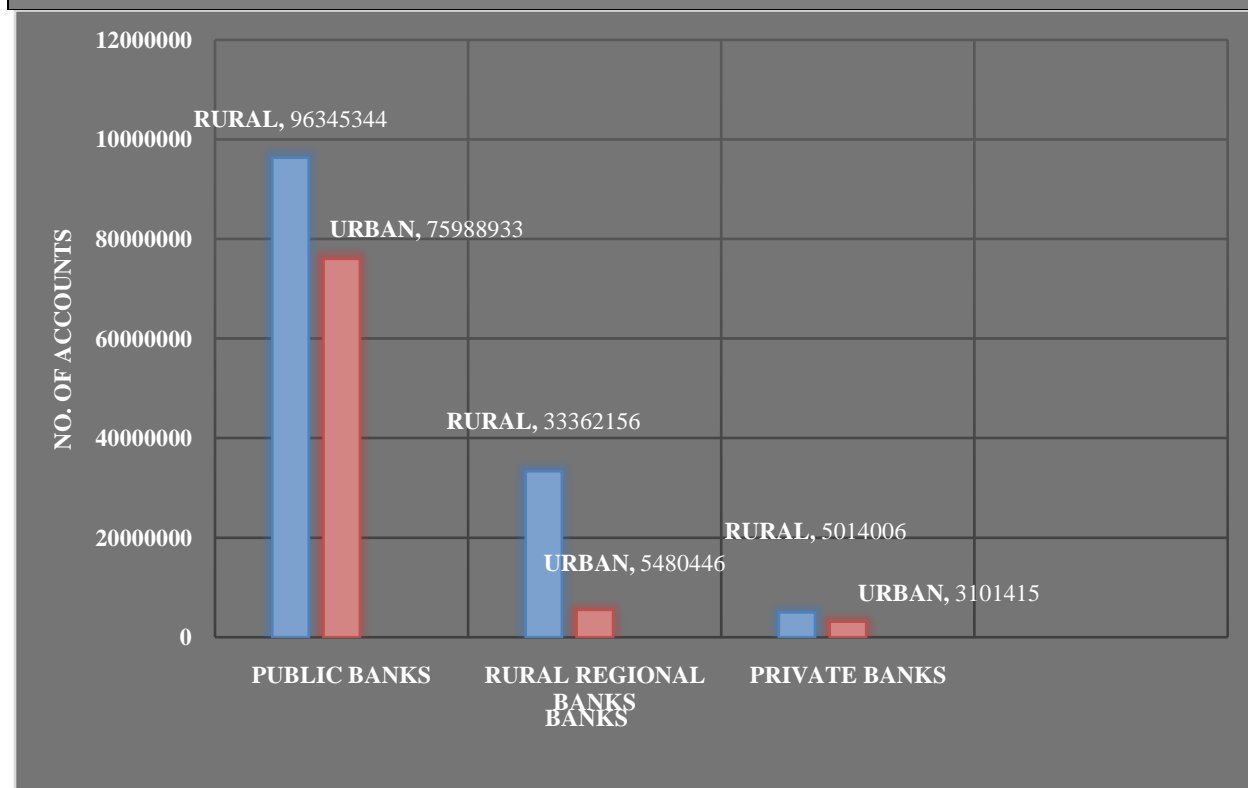
According to the research done, the table clearly depicts that 16.28 Crore accounts were opened in the year 2015. Out of which 9.80 were opened in the Rural Sector and 6.48 were opened in the Urban Sector in India. On 20 January 2015, the scheme entered into Guinness book of world records setting new record for 'The most bank accounts opened in one week'. The balance in Jan Dhan accounts rose by more than ₹270 billion (US\$4.2 billion) between 9 November 2016 and 23 November 2016. 19 lakh householders have availed the overdraft facility of ₹2.56 billion (US\$40 million) by May 2016. Uttar Pradesh and West Bengal have got 29% of the total deposits under the scheme, whereas Kerala and Goa became the first states in the country to provide one basic bank account to every household.

One day after the announcement of demonetization on November 8, 2016, the cumulative balance in about in about 25 crore accounts was about Rs. 45,600 crore. But post-demonetization, that figure has gone up. While the final word is yet to be said on the alleged channeling of black money into Jan Dhan accounts, the scheme has indeed led to a transformation.

In the year 2016 up to (25.5.2016) the total number of accounts opened in rural areas under Pradhan Mantri Jan-Dhan Yojana (PMJDY) by Public Sector Banks was 96345344, in urban areas it was 75988933. The total number of accounts opened in rural areas under Pradhan Mantri Jan-Dhan Yojana (PMJDY) by Regional Rural Banks was 33362156, in urban areas it was 5480446. By private banks the number of accounts which were opened in the rural area was 5014006 and in the urban area was 3101415<sup>7</sup>. The Graphical representation is given under:

<sup>7</sup><https://community.data.gov.in/accounts-opened-under-pradhan-mantri-jan-dhan-yojana-pmjdy-upto-25-05-2016/>

### The status of PMJDY up to May 2016



As per the statistics for the year 2017, the total number of account holders stood at 294.8 million, including 176.1 million account holders from rural and semi-urban branches. A total of 227 million RuPay cards have been issued by National Payments Corporation of India (NPCI) till August 2017. The amount of deposits rose to ₹656.97 billion (US\$10 billion) by August 2017.<sup>8</sup> There is a data which depicts the current status of PMJDY statics as on December 2017<sup>9</sup>:

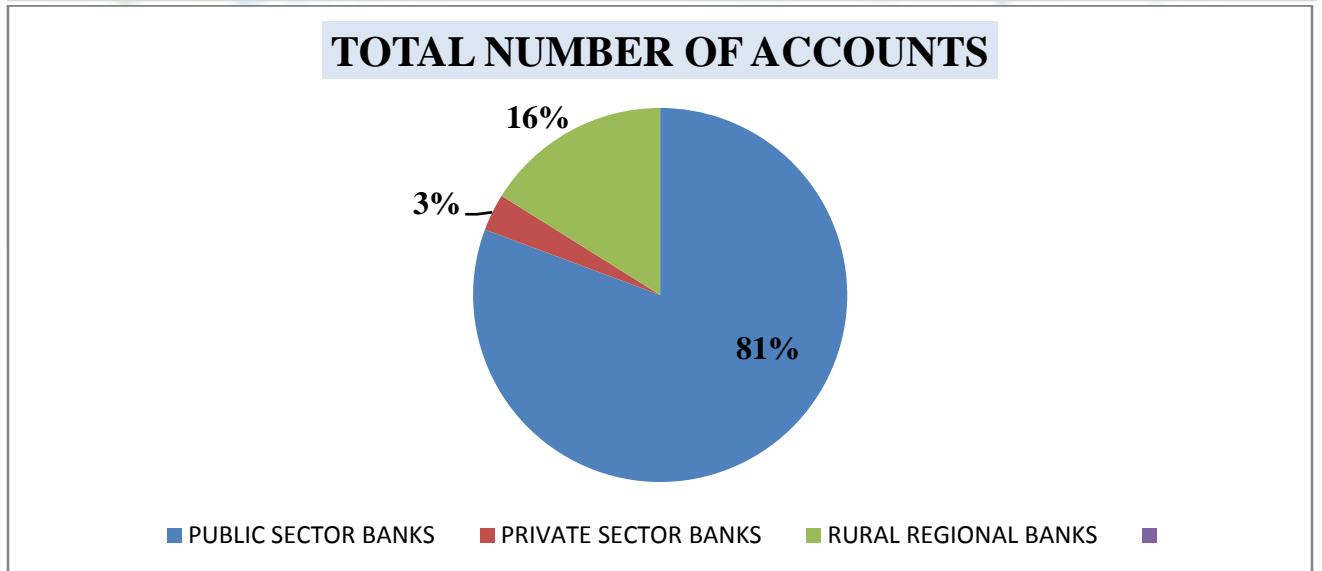
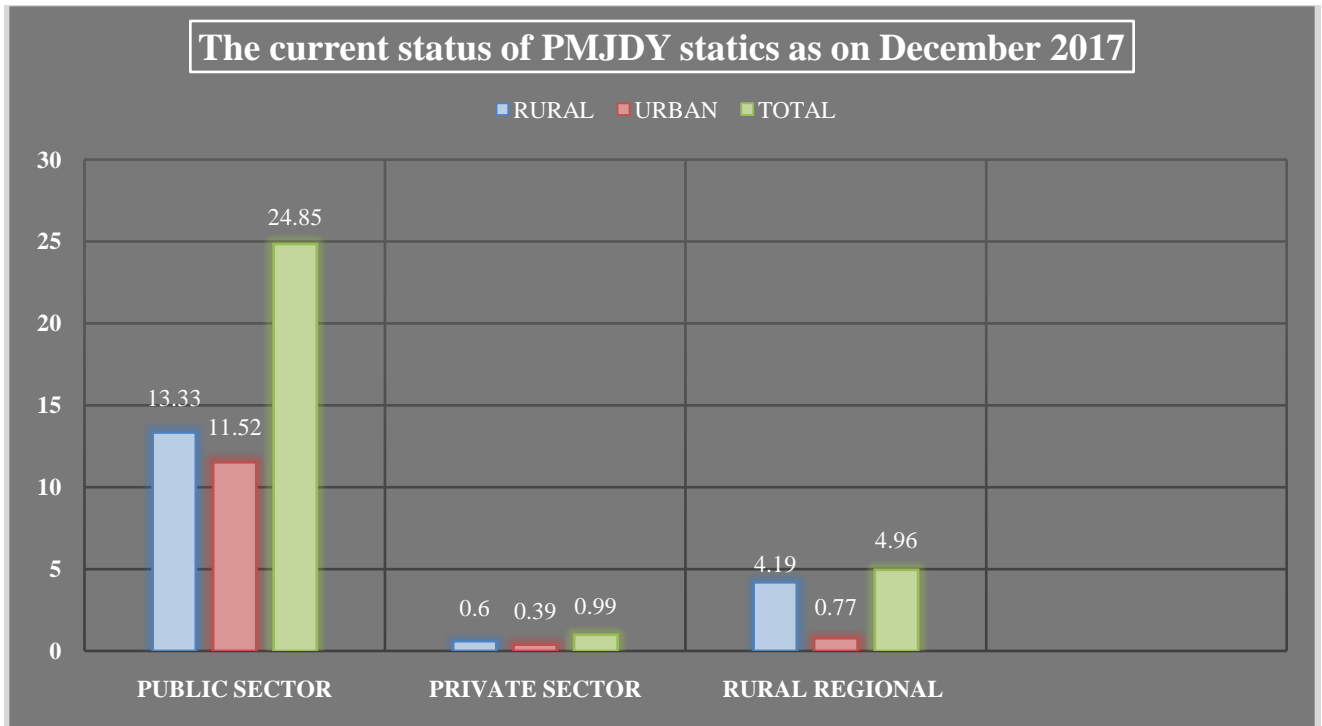
(All figures in Crore)

S. No.	Type of Banks	Number of Accounts			Balance in Accounts	Number of RuPay Cards
		Rural	Urban	Total		
1.	Public Sector Banks	13.33	11.52	24.85	57,089.65	18.66
2.	Private Sector Banks	0.60	0.39	0.99	12,271.46	0.92
3.	Rural Regional Banks	4.19	0.77	4.96	2,140.06	3.64
<b>TOTAL</b>		<b>18.12</b>	<b>12.68</b>	<b>30.80</b>	71,501.17 crore (US\$11 billion)	<b>23.23</b>

<sup>8</sup><http://www.thehindubusinessline.com/money-and-banking/jan-dhan-scheme-going-strong-3-years-on/article9818227.ece>

<sup>9</sup><https://www.pmjdy.gov.in/BankwiseLatest>





The statistics shows that 81% of accounts are opened by the Public Sector Banks, 16% by the Rural Regional Banks and 3% by the Private Sector Banks.

The statistics shows the progress report of 2018 submitted by the different banks.

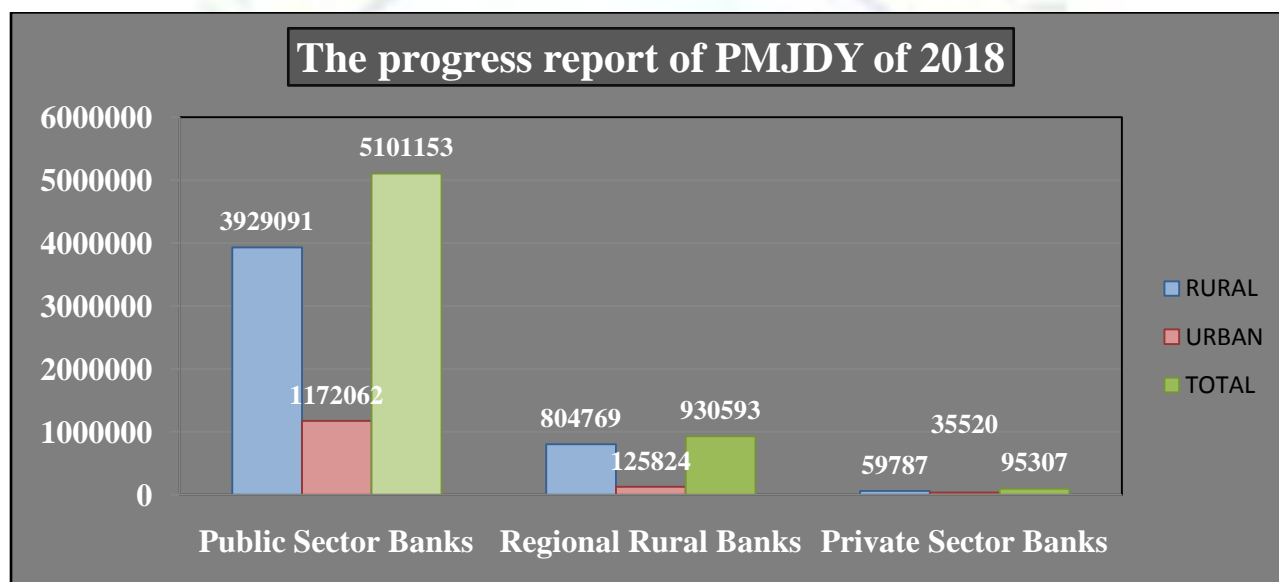
Beneficiaries as on 10/01/2018<sup>10</sup>

(All figures in Crore)

<sup>10</sup><https://www.pmjdy.gov.in/account>

BANK NAME/TYPE	Rural/Semiurban centre bank branches	Urban metro centre bank branches	Number of Total Beneficiaries	Deposits in Accounts(In Crore)	Number of Rupay Debit Cards issued to beneficiaries
Public Sector Banks	3929091	1172062	5101153	104772.33	1018709
Regional Rural Banks	804769	125824	930593	20518.27	798373
Private Sector Banks	59787	35520	95307	223.91	94527
Grand Total	4793647	1333406	6127053	125514.51	1911609

*Disclaimer: Information is based upon the data as submitted by different banks*



The statistics shows the progress of number of accounts open in PMJDY, in all the three banks i.e. Public Sector Banks, Regional Rural Banks and Private Sector Banks.

#### CHALLENGES:

- Among 600000 villages in India only 46000 villages are reached by banks, it is very difficult to reach in the rural or remote areas as people are also unaware about the scheme.
- Whereas in the Rural India houses only 14% of the total 160000 ATM's in the country looking at the electricity even today, therefore there are some areas of the country which are still not developed.
- Studies revealed that at least 67% of accounts under PMJDY are dormant and they are not using it as the account holders are unwilling to travel distance for the sake of bank transactions.



- Organizing and managing business correspondents to make PMJDY successful in rural sector in India are providing to be a giant task for the banks. Number of problems is being experienced in managing these banks.

**CONCLUSION:**

“Pradhan Mantri Jan Dhan Yojana (PMJDY)” is the scheme initiated by the Government of India and implemented in large scale requires determination and approach towards the path of success. The findings of this research are helpful in understanding the influence of variety of factors on the access to banking services of rural households. It draws the conclusion like there is still large number of population in the remote area which is deprived from the banking facilities and people are not aware about the various benefits provided by the scheme. Although the number of beneficiaries have been increased from the day when the scheme is launched till the present date especially by Public Sector Banks. Even though it is one of the greatest steps ever taken to eradicate poverty is inclusive financing through PMJDY. For the success of any scheme constant evaluation and regular check is very much necessary. Successful application would not only diminish poverty but also puts a check on corruption. A bold first step by NDA Government indeed helped many to come into the main river of economy and reduce financial untouchability.

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