

Pradhan Mantri Jan Dhan Yojana (Pmjdj): Path towards Financial Inclusion in India

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Abstract

Financial inclusion has been a buzzword for the policymakers and governments for a long time. Attempts have been made by the policymakers and financial institutions to bring large sections of the rural population within the banking system having realized that financial inclusion is the essence of sustainable economic growth and development in a country like India. Inclusive growth becomes impossible without financial inclusion. Financial inclusion is also must for the economic development of the country. Without Financial Inclusion we cannot think of economic development because a large chunk of total population remains outside the growth process. Though our country's economy is growing at a one digit, still the growth is not inclusive with the economic condition of the people in rural areas worsening further. One of the typical reasons for poverty is being financially excluded. Though there are few people who are enjoying all kinds of services from savings to net banking, but still in our country around 40% of people lack access to even basic financial services like savings, credit and insurance facilities. India is the second only to China in the number of people excluded from financial facilities. Even after 68 years of independence, around ten crore households are not connected with banking.

Bringing every household within the grasp of the banking system there has been an ongoing process started a decade ago. However, the present Indian government has packaged it in a mission mode and made it an achievable target.

In order to reduce the degree of “financial untouchability” the new government has come up with a big bang action plan which is popularly known as “Pradhan Mantri Jan-Dhan Yojana”. It is a scheme for comprehensive financial inclusion launched by the Prime Minister of India, With Motto Of “Sab ka sath sab ka vikas” i.e. inclusive growth. The main objective of this scheme is to ensure universal access to banking facilities with at least one basic bank account for every household.

Keywords :- Financial Inclusion, Inclusive Growth, bank account for every household.

Introduction

‘Pradhan Mantri Jan-Dhan Yojana’ was announced by Honorable Prime Minister, ‘Mr. Narendra Modi’, in his first Independence Day address on 15 August, 2014. This is a National Mission on Financial Inclusion includes integrated approach to bring about complete financial inclusion of all the households in the country. This scheme is launched on 28th august 2014. The logo of this scheme is designed by Priya Sharma. The name Jan Dhan was chosen through an online competition on the MyGov Platform.

Slogan of this scheme is “Mera Khata – Bhagya Vidhata.” The prime objective of this scheme was 60,000 camps were conducted and about 1 crore bank accounts were targeted to be opened in one day. More than targeted objective is

attained in a day. On the inauguration day, 1.5 Crore (15 million) bank accounts were opened under this scheme across the country, the largest such exercise on a single day possibly anywhere in the world. By September 2014, 3.02 crore accounts were opened, with an amount of around 1500 crore (US\$240 million) was deposited under the scheme. 74 % accounts opened are No frill account under this scheme. The scheme has an option for opening new bank account with zero balance and in addition it gives facility of accidental insurance of Rs. 1.00 lakh and also regular life insurance of Rs. 30,000/ The additional benefit that Govt. has announced is overdrawn facility of Rs. 5000/ applicable after 6 months of successful operating of the account. SBI, India's largest bank had opened 11,300 camps for Jan Dhan Yojana and over 30 lakhs accounts are opened so far, which include 21.16 lakh accounts in rural areas and 8.8 lakh accounts in urban areas followed by Punjab National Bank with 20.24 lakh accounts, Canara Bank 16.21 lakh accounts, Central Bank of India 15.98 lakh accounts and Bank of Baroda with 14.22 lakh accounts. It was reported that total of 7 Crore (70 million) bank accounts have been opened with deposits totaling more than 5000 crore Rupees (approx 1 billion USD) as of November 6, 2014.

- The primary aim of the **Jan Dhan Yojana** is to bring poor financially excluded people into the banking system by providing them bank accounts and debit cards.
- The scheme will cover both urban and rural areas of India and all bank accounts opened will be linked to a debit card which would be issued under the Ru-Pay scheme. (Rupay is India's own unique domestic card network

owned by National Payments Corporation of India and has been created as an alternative to Visa and MasterCard.)

- Every individual who opens a bank account becomes eligible to receive an accident insurance cover of up-to Rs 1 Lakh for his entire family.
- The Pradhan Mantri Jan Dhan Yojana has set an ambitious target of bringing in more than 7.5 crore un-banked families into India's banking system by opening more than 15 Crore bank accounts at the rate of two bank accounts per household.
- Once the bank account has been active for 6 months and has been linked to account holders Aadhar identity, they would become eligible for an overdraft of up to Rs 2,500, which would further be enhanced by the bank to Rs 5000 over time.
- The Jan Dhan Yojana also seeks to provide incentives to business and banking correspondents who serve as link for the last mile between savings account holders and the bank by fixing a minimum monthly remuneration of Rs 5000.
- The long term vision of the Jan Dhan Yojana is to lay the foundation of a cashless economy and is complementary to the Digital India Scheme.

Objectives of Paper

- To Study Financial Inclusion in India.
- To know implications of Pradhan Mantri Jan Dhan Yojana.
- To understand Threats for success of Pradhan Mantri Jan Dhan Yojana.

Financial Inclusion before PMJDY:

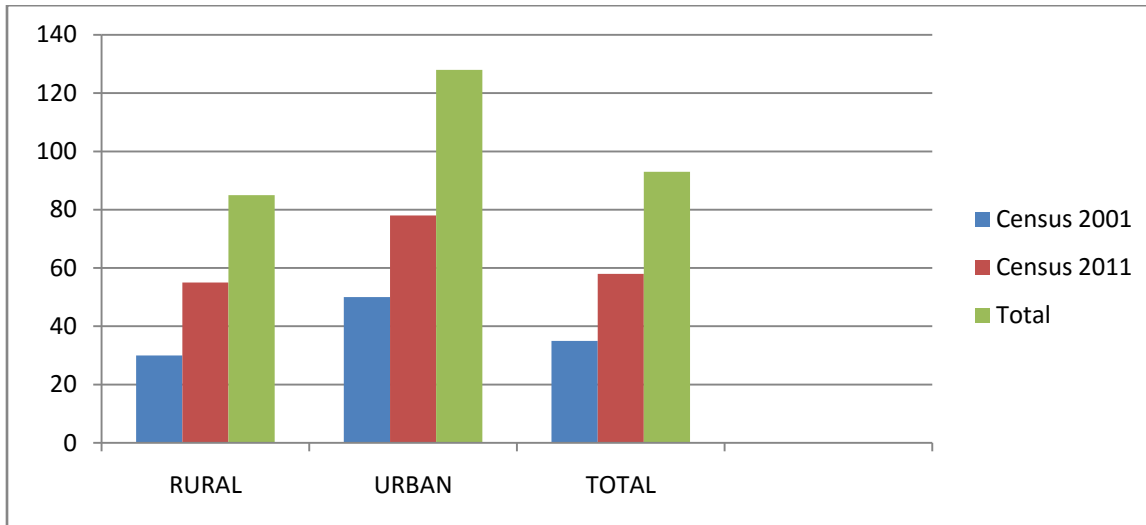
In India, financial inclusion first featured in 2005, when it was introduced by K C Chakraborty, the chairman of Indian Bank. Mangalam Village became the first village in India where all households were provided banking facilities. KYC Norms were relaxed for people intending to open accounts with annual deposits of less than Rs. 50,000. In order to ensure financial inclusion various initiatives were taken up by RBI like Nationalization of Banks, Expansion of Banks branch network, Establishment & expansion of Cooperative and RRBs, Introduction of PS lending, Lead Bank Scheme, Formation of SHGs and State specific approach for Govt. sponsored schemes to be evolved by SLBC (State Level Bankers Committee) etc.

General credit cards (GCCs) were issued to the poor and the disadvantaged with a view to help them access easy credit. RBI in the year January 2006, with the objective of ensuring greater financial inclusion and increasing the outreach of the banking sector, decided in public interest to enable the banks to use the services of

NGOs/SHGs, MFIs and other Civil Society Organizations as intermediaries in providing financial and banking services through use of “Business Facilitator and Business Correspondent Model”. Census 2011 estimated that out of 24.67 crore households in the country, 14.48 crore (58.7%) households had access to banking services. Of the 16.78 crore rural households, 9.14 crore (54.46%) were availing banking services. Of the 7.89 crore urban households, 5.34 crore (67.68%) households were availing banking services. In the year 2011, Banks covered 74,351 villages, with population more than 2,000 (as per 2001 census) with banking facilities under the “Swabhimaan” campaign with Business Correspondents. However the program had a very limited reach and impact.

Public Sector Banks (PSBs) including RRBs have estimated that by 31.05.2014, out of the 13.14 crore rural households which were allocated to them for coverage, about 7.22 crore households have been covered (5.94 crore uncovered). It is estimated that 6 Crore households in rural and 1.5 Crore in urban area needs to be covered.

Table1. Availability of Banking Services



Source: Pradhan Mantri Jan-Dhan Yojana, Department of Finance services, Ministry of Finance.

Above graph indicates the availability of banking services in percentage to rural and urban areas, showing increase during the period 2001 to 2011; however the increase is not yet satisfactory. For this reason, there felt the need to start the more advance scheme to spread more awareness about the financial services to every corner; mainly the Tribal areas. PMJDY is step towards achieving national financial inclusion Objective.

Literature Review

- Research Paper on, “**An Analytical Study: Relevance of Financial Inclusion For Developing Nations**” by Dr. Anupama Sharma and Ms. Sumita Kukreja, The study focuses on the role of financial inclusion, in strengthening the India’s position in relation to other countries economy. For analyzing such facts data for the study has been gathered through secondary sources

including report of RBI, NABARD, books on financial inclusion and other articles written by eminent authors.

- Research Paper on, “**Overview of Financial Inclusion in India**”, by C. Paramasivan and V. Ganeshkumar, Financial inclusion is aimed at providing banking and financial services to all people in a fair, transparent and equitable manner at affordable cost. This paper is an attempt to discuss the overview of financial inclusion in India.
- Research Paper on, “**Financial Inclusion in Gujarat: A Study on Banker’s Initiatives**” by Mr. Nanjibhai D. Ranparia includes study of various financial inclusion and to evaluate progress and current status of financial inclusion of the state.

Steps for attaining objectives

Reaching out - Network expansion and geographical coverage of the banks: First basic

pillar of PMJDY is expansion of banking network of country to reach out to the financially excluded segment. All the 6 lakhs villages across the entire country are to be mapped according to service area of each bank to have one fixed point called Sub Service Area.

Individuals like unemployed youth & entities like retired bank employee, retired teachers, retired Government / Military personnel, etc., kirana shops, PDS, PCOs, CSCs, NGOs/MFIs and section 25 companies, Self Help Groups (SHG), Civil Society Organisations, agents of small saving schemes of Government of India, individual petrol pump owner, authorized functionaries of SHG, non deposit taking NBFCs, Post Offices/Postman/Gramin Dak Sewak, cooperative societies or other eligible individuals/entities allowed.

The Bank Mitra (Business Correspondent) outlets (in both rural and urban areas) would be fully equipped with the required infrastructure including the computers and other peripherals like Micro ATM, Bio-metric scanners, Printer, Web cam and internet connectivity.

Through USSD mobile banking services like Balance Inquiry, Mini Statement and Fund transfer will be provided. NPCI to provide Gateway for all the banks with single short code -*99#.

Opening of Basic Saving Bank Account of every adult citizen. The second pillar of this plan envisages providing basic bank accounts (Basic Saving Bank Deposit Account - BSBDA with zero balance) to all adult citizens starting with coverage of all households.

Financial Literacy and Credit Counseling (FLCC) – Establishing adequate number of Financial Literacy Centers (FLC) & Mechanism to increase financial literacy among the financially excluded sections.

Credit Guarantee Fund: The fourth pillar of this plan is the creation of a Credit Guarantee Fund. It is proposed to be housed in National Credit Guarantee Corporation (NCGC). There is wide scope in further development of the scheme.

Chairman of IRDA T.S. Vijayan said, that government should launch scheme Jan Bima Yojana in lines of similar programmed launched in banking sector. The scheme can be linked to Swachta Abhiyan. For construction of toilets in rural area finance can be provide under JDY.

Monitoring Mechanism / MIS

- A web portal shall be created by DFS at 'financialservices.gov.in' for online monitoring of the creation of Bank Mitra (Business Correspondent). In the field, it shall be the tool to ensure proper coverage of villages.
- The reports to be generated would be district wise/state wise and would Include:
 - Covered villages with uncovered households needing opening of fresh account
 - Covered villages with uncovered households needing at least one fully enabled account per family or reactivation of earlier account
 - Uncovered villages with households needing fresh accounts to be opened
 - Urban are as with uncovered households needing fresh account/ account reactivation

- Each Bank would have a structured System generated MIS system to monitor the function of Bank Mitra (Business Correspondent) in the field. The format would be standardized across the system for ease and uniformity purposes. This shall be uploaded regularly on the Portal created by DFS for this purpose.
- This MIS would have a linkage with the portal for DFS i.e. 'financialservices.gov.in'. All banks have already been provided with the necessary ID and password to access this portal.
- The MIS reports to be collected for monitoring during the campaign will have two parts, one would be the reports generated by the banks from the CBS which shall be weekly and the second part will have reports from the SLBCs which will also involve surveys of the ground level position. The ground level survey should be completed within 3 months of the start of the campaign.
- It was decided to link the lady of the house as head of the household with the other members in the CBS so that the number the households that are covered during the campaign can be ascertained.
- IBA will have a monitoring committee which shall review the progress on weekly basis. The information for monitoring shall be extracted from the DFS portal.
- A Project Management Group would be set up in DFS comprising of sector experts to do a day to day monitoring.

Challenges identified in the implementation of the Mission

- **Telecom connectivity:** Feedback from the bank is that rural and hilly areas of the country, the telecom network is not reliable and therefore setting up Bank Mitra (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 duplicacy 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.
- **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 Mitra (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:** Extremism (LWE) districts face challenges of infrastructure besides Telecom connectivity. All households in such areas may not be fully covered under the campaign.

Conclusion:

Every new thing to implement in large scale requires determination and attitude towards success path. Very well said, root cause is 'financial untouchability' to eradicate poverty. Managing a bank account and insurance coverage does not demand the person should be educated, it only required the basic knowledge which could be explained by anybody else. Financial Inclusion requires sustained efforts over many years and emphasis on quality rather than quantity should be the priority. Government should review the speed at which it is currently targeting to achieve the goal of covering the whole India with bank accounts. Certainly with a firm intent and infrastructural network of institutions the dream of financial services for all can be realized in the near future. A bold step in indeed required to withstand the heat of economic down surge and fight poverty, and the Jan Dhan Yojana is definitely a good fighting mechanism to check the poverty by RBI from

time to time may be engaged as Bank Mitra (Business Correspondent).

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