



The Role of Pradhan Mantri Jan Dhan Yojana in Financial Inclusion: An Evaluative Study

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ABSTRACT

Over the years there have been many schemes that had been taken up by the RBI and the government to take forward the financial inclusion process in India. Schemes like Nationalization of Banks, Expansion of Cooperative & Regional Rural banks, Introduction of PS lending, Lead Bank Scheme, Self-Help Groups etc., were implemented with the objective of bringing every person in the country within the purview of banking system so that they can avail the financial services to uplift their present standard of living and help in the overall development of the economy. The current government in the last year came up with its highly ambitious project the Pradhan Mantri Jan Dhan Yojana (PMJDY) in August 2015. It has been eleven months since the project was started. In this paper the author has highlighted the progress of the scheme by making an evaluation of the scheme for the last one year.

KEYWORDS : Economy, Financial Inclusion, Banks, Inclusive Growth

Introduction:

On 15th August 2014 our hon'ble Prime Minister Mr. Narendra Modi announced its flagship programme Pradhan Mantri Jan Dhan Yojana (PMJDY) which was launched on 28th August 2014 with a mission of ensuring access to easy financial services for the excluded section i.e. weaker section 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. Moreover, the beneficiaries would get RuPay Debit card having inbuilt accident insurance cover of Rs. 1 lakh. The plan also envisages channeling all Government benefits to the beneficiaries' accounts and pushing the Direct Benefits Transfer Scheme of the union Government. The technological issues like poor connectivity, on-line transactions will be addressed. Mobile transactions through telecom operators and their established centres as cash out points are also planned to be used for financial inclusion under the scheme. RBI have described financial inclusion as the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular at an affordable cost in a fair and transparent manner by mainstream institutional

Highlights of the Scheme:

- Interest on Deposit
- Accidental insurance cover of Rs. 1 lakh.
- No minimum balance required
- Life insurance cover of Rs.30000.
- Easy transfer of money across India
- Beneficiaries of Government Schemes will get Direct Benefit Transfer in those account
- 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.

Objectives of the study:

- To understand the present scenario of Pradhan Mantri Jan Dhan Yojana.
- To understand and evaluate the role of the government, banks and the Business correspondent in the implementation of Pradhan Mantri Jan Dhan Yojana.
- To understand the new perspective in Pradhan Mantri Jan Dhan Yojana

The PMJDY scheme is being implemented in two phases. The first phase was to be 15 Aug, 2014 - 14 Aug, 2015 and the second phase from 15 Aug, 2015 - 14 Aug, 2018. The aim of the first phase is –

- Universal access to banking facilities in all areas except areas with infrastructure and connectivity constraints like parts of North East, Himachal Pradesh, Uttarakhand, J&K and 82 Left wing Extremism(LWE) districts
- Providing basic banking accounts and Rupay Debit card which has inbuilt accident insurance cover of rupees 1 lakh. Aadhaar number will be seeded to make account ready for DBT payment.
- Financial literacy Programme

The second phase will have-

- Overdraft facility up to Rs. 5000 after six months of satisfactory operation/history
- Creation of Credit Guarantee Fund for coverage of defaults in A/Cs with overdraft limit up to Rs.5000.
- Micro insurance
- Unorganized sector Pension schemes like Swavalamban

Pradhan Mantri Jan Dhan Yojana (Accounts opened as on 01.07.2015)

	No. of accounts			No. of RuPay Debit cards	Balance in account	% of Zero Balance accounts
	Rural	Urban	Total			
Public sector bank	7.07	5.87	12.94	12.04	15128.69	51.7
RRBs	2.51	0.44	2.95	2.12	3375.93	51.53
Private Banks	0.4	0.28	0.68	0.61	1076.08	48.53
Total	9.98	6.58	16.57	14.77	19580.7	51.48

Table:A All figures in crores

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

Above table indicates the overall accounts opened under the scheme from its inception till 01.07.2015. It shows that the contribution of public sector banks has been more compared to the private sector banks as far as the opening of the accounts is concerned. Public sector banks have recorded 70.84% of the total accounts opened in rural areas whereas the share of private sector has been only 4.008%. The same scenario can be seen in urban areas also where 89.21% of the accounts opened are in public sector banks whereas in private sector bank its only 4.3%. The number of RuPay debit card issued by the public sector bank is 12.97 crores compared to 2.12 crores by regional rural banks and 0.61 crores by private sector bank. The total till the mention date is 14.77 crores. An overall of Rs.19580.7 crores of balances could be found in the credit of accounts opened. The most striking part of the report is that 51.48 percent of the accounts are dormant with zero balances which could be due to lack of financial literacy or awareness among the people.

The finance ministry has declared that the overdraft facility would be a general purpose loan with hassle free credit to weaker section to meet their exigencies without insistence on security, purpose or end

use of credit. The overdraft will be sanctioned for a period of three years and would be subject to an annual review. This facility is available to those who have basic savings bank deposits accounts and have operated satisfactorily for at least six months and have registered regular credits under DBT or DBTL scheme or any other verifiable source. The facility is intended to work as a micro finance measure that would prevent people from taking loan from unorganized sector viz. money lenders.

As per the RBI report 2013-14 as compared to 33378 bank branches at villages in 2010 there are 46126 branches in 2014 which is an increase of 27.64%. The role of Business correspondents in this regard had been phenomenal as they have covered villages with banking outlets to the extent of 337678 until 2014 which shows an increase of 89.8% from 2010. Banking outlets in urban location through business correspondents have been 60730 till 2014.

Basic Saving Bank Deposit A/c-Branches

Table: B (I)

sl		2010	2011	2012	2013	2014
a.	No. in million	60.19	73.13	81.20	100.80	126.00
b.	Amount in billion	44.33	57.89	109.87	164.69	273.30

Source: Table IV.7, RBI annual report, 2013-14

Table B (I): There has been substantial increase in BSBD A/c branches over the last five years. From the table we find that there has been increase in branches from 60.9 million in 2010 to 126 million in 2014, an increase by 109%. These branches have opened accounts with overall saving balance of Rs. 273.3 billion.

Basic Bank Deposit A/c- BCs

Table: B (II)

sl		2010	2011	2012	2013	2014
a.	No. in million	13.27	31.63	57.30	81.27	116.9
b.	Amount in billion	10.69	18.23	10.5	18.22	39.00

Source: Table IV.7, RBI annual report, 2013-14

Table B (II): the business correspondents contribution have been stupendous with a total of 116.9 million accounts by 2014 i.e an increment of 103.7 million with a bank deposit of 39 billion compared to 10.69 billion in 2010. Though the trend fell in the year 2012 but it again rose in the next year and have increased maximum between the years 2013-14.

OD facility availed in BSBD's Account

Table: B (III)

sl		2010	2011	2012	2013	2014
a.	No. in million	0.11	0.61	2.71	3.92	5.90
b.	Amount in billion	0.10	0.26	1.08	1.55	16.00

Source: Table IV.7, RBI annual report, 2013-14

Table B (III): The overdraft facility availed in basic saving bank deposit account has been Rs.16 billion in the year ended 2014 compared to Rs.0.10 billion in 2010. overall there has been an increasing trend in the OD availed for the last five years.

Conclusion:

The PMJDY scheme has shown substantial growth in numbers as far as opening of accounts is concerned. Now, it's important to financially include all section of the society in this scheme to achieve the goal of inclusive growth of the nation. The challenges ahead is the conversion of the non operative accounts with zero balance into operative and for this its important to focus on financial literacy as most of the beneficiaries lack knowledge of how to make use of the financial services. As against the target of 7.5 crores new account a whopping 16.57 crores account has been opened till 1st July 2015 its a huge achievement but requires more steps to be taken to improve the transactions made in these accounts to accomplish the objective of alleviating poverty, enhance savings, reduce leakages in economic system by facilitating direct transfer of subsidy benefits to the poor .

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