



Transacting PradhanMantri Jan DhanYojna

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ABSTRACT Pradhan Mantri Jan DhanYojna(PMJDY) is an ambitious attempt taken by PMO (Prime Minister's office). Just because of this drive, 12.5 crore bank accounts have been opened till now and it has taken place in Guinness book of world records. There are some other schemes also that have been launched by Indian govt. like Swabhiman, 25% rural branch rule, RRBs etc., all of these schemes focus on reaching villages but this schemes focuses on opening of one account per household may it be from rural or urban area. Through this paper I presented current status of this scheme, identified key challenges that are likely to be faced during its operational execution and strategies that can help in achieving its objectives or in overcoming its issues. Some of the key challenges are infrastructural issues, lack of financial & technological literacy amongst the masses, duplication of accounts, economic burden on stakeholders to keep the accounts live etc.

Introduction

PMJDY was introduced by Mr. Narendra Modi on 15th August, 2014, operationalized on 28th August, 2014 to give access to various financial services to weaker section of society (Law income group). Economic resources of the country should be utilized for well-being of poor. Change will commence from this point – Mr. Narendra Modi (Honorable Prime Minister Of our country). He had referred to the ancient Sanskrit verse: Sukhasya Moolam Dharma, Dharmasya Moolam Artha, Arthasya Moolam Rajyam - which puts the onus on the state to involve people in economic activity. "This Government has accepted this responsibility," the Prime Minister had said. As mentioned by him, India is still facing financial inequality. To get rid of this inequality, a significant step has been taken by him. This fiscal program is known as PMJDY. Objective of this scheme is to uplift those segments of population that are devoid of financial benefits and schemes. This is one of the step taken by Indian Govt. to bring economic equality. This is aimed at opening one bank account per household to get financial inclusion.

Objective of "Pradhan Mantri Jan-DhanYojana (PMJDY)" is ensuring access to various financial services like availability of basic savings bank account, access to need based credit, remittances facility, insurance and pension to the excluded sections i.e. weaker sections & low income groups. This deep penetration at affordable cost is possible only with effective use of technology.

Documents required for opening of an account under this scheme

- If Aadhar card is available then no other requirements.
- In absence of Aadhaar card any one of the following documents is required: Voter ID, Driving License, PAN card, Passport, NREGA Card.
- If a person is categorized as low risk by banks and he is not having any of above documents, then he or she can open an account by submitting any one of the following documents: 1. identity card with photograph issued by central/state Govt., PSUs, Scheduled commercial banks, Public financial institutions, and statutory authorities. 2. Letter issued by gazette officer with duly attested photograph of the person.

Benefits of the scheme

- Account holders are provided with zero balance bank account with rupay credit card, in addition to accidental insurance of Rs. 1 lakh (to be given by HDFC Ergo). This accident cover was announced for people opening account on or before 26th January, 2015.
- Life insurance of Rs. 30000 (to be given by LIC)
- After six month from opening of that account, holders can avail Rs. 5000 overdraft from the bank. This credit payment will be increased to 15000 Rs. Once the repayment of first loan is done on time. To ensure security loan is provided to those whose accounts are linked with Aadhaar Card.
- Easy transfer of money across India
- No minimum balance required
- With the introduction of new technology, a person can transfer funds and check balance through a normal phone without using any smart phone.

Objectives of study

- To understand PMJDY.
- To know implications of PMJDY
- To identify possible challenges and strategies to overcome these threats.

PMJDY will be implemented in two phases:

Phase I (15 Aug 2014 to 14 Aug 2015)

- Providing Basic Banking Accounts and RuPay Debit card which has inbuilt accident insurance cover of Rs. 1 lakh. Aadhaar number will be seeded to make account ready for DBT payment. This phase is still going on.

Phase II (15 Aug, 2015 - 14 Aug, 2018)

- Overdraft facility up to 5000/- after six months of satisfactory operation. Creation of Credit Guarantee Fund for coverage of defaults in A/Cs with overdraft limit up to 5,000/-.
- Micro Insurance Unorganized sector Pension schemes like Swavalamban. In addition, in this phase, coverage of households in hilly, tribal and difficult areas would be carried out.

Financial Inclusion - Summary progress of all Banks including Regional Rural Banks (RRBs), during five years period are as under:

Particulars	Year Ended 2010	Year Ended 2011	Year Ended 2012	Year Ended 2013	Year Ended 2014
Banking Outlets in Villages					
(a) Branches	22,378	24,811	27,471	40,827	46,124
(b) Villages covered by BCs ¹	34,174	50,902	1,41,136	2,21,341	3,37,678
(c) Cluster centres	142	195	314	439	579
(d) Total	47,674	1,16,298	1,81,793	3,68,454	3,83,894
(e) Total Locations through BCs	447	3,772	3,891	37,143	40,730
Bank Saving Bank Deposit A/c² - Branches					
(a) Pbc. in millions	40.19	73.13	81.20	100.80	126.90
(b) Pbc. in billions	44.33	37.89	109.87	144.69	173.30
Bank Saving Bank Deposit A/c² - BCs					
(a) Pbc. in millions	11.27	31.63	37.90	81.27	114.90
(b) Pbc. in billions	23.67	18.22	10.24	18.22	39.00
OD facility availed in SBDA's schemes					
(a) Pbc. in millions	6.16	6.81	9.74	9.92	5.90
(b) Pbc. in billions	48.50	9.36	1.08	1.33	16.00
(c) Pbc. in millions	24.31	27.11	30.24	23.79	39.90

From the above table we can see that although no. of bank branches & saving bank accounts are increasing every year but percentage of increment from 2013 to 2014 is higher than any other year and this can show the impact of launching PMJDY and how it is being successful.

PMJDY (Accounts opened as on 31.03.2015)
Information is based upon the data as submitted by different banks

	No. of Accounts (in lacs)			No. of RuPay Debit Cards (in lacs)	Balance in Accounts (in Lacs)	no. of accounts with zero balance (in lacs)
	Rural	Urban	Total			
Public Sector Banks	625.35	529.09	1154.44	1081.1	1218505.25	661.82
Regional Rural Banks	217.11	390.08	256.11	178.22	257711.1	156.16
Private Banks	359.87	250.79	61.06	55.49	90813.06	34.13
Grand Total	878.44	599.16	1471.63	1314.82	1567029.41	852.13

The above table is showing that although a large number of accounts have been opened but almost 60% bank accounts are still with zero balance i.e. accounts are inactive/passive. It means these holders are not actually contributing anything to economy, they have entered into it just to avail benefits of the scheme and actually creating a burden on economy.

Challenges

Lack of infrastructure facility: lack of physical & digital connectivity in backward regions & hilly areas creates major hurdle in achieving comprehensive financial inclusion. Electricity is the prime requirement for operationalization of banks but most of our country suffers from limited or no electricity.

Economic burden: although this scheme is being successful in opening up of bank accounts but almost 60% accounts among those are with zero balance. People have opened the accounts just to avail scheme's benefits. In that case it is not more than a cost to banks as they have to spend money on documentation, commission paid to bank correspondents/agents authorized for opening of accounts.

Duplication of accounts: several financial benefits like large insurance cover, accidental benefit cover, overdraft facility etc., may prompt account holders to open multiple accounts in different banks using different ID proofs as there is no centralized information sharing system to detect duplication.

Keeping the accounts active: it is also a big challenge for banks how to persuade customers to put money into their accounts and to keep the accounts active as they are already getting benefits without depositing any amount of

money. Normally people from rural areas take it as wastage of money & time to go every time to bank branch and deposit small amount of money.

Financial illiteracy: many people from rural areas, backward regions are still unaware on financial instruments, financial services like savings, investment, and borrowings and have lack of access to these services.

Weakness of BC model: PMJDY relies heavily on BC model for expanding banking network. One of the primary reasons behind unsatisfactory performance of BC model is poor remuneration. Although JDY scheme offer them a minimum compensation of 5K per month but still there are some other barriers in delivery of bank services through BC model. E.g., inadequate cash handling limit given to BCs, devices not working properly due to technical problems, lack of trust in BCs, poor supervision of BCs and absence of comprehensive strategy for financial inclusion.

Strategies/Suggestions to overcome the issues with PMJDY Scheme

Improvisation of Technology: Now days, banks are increasing branchless banking mainly in rural areas by providing banking services such as opening of bank accounts, cash deposits, cash withdrawals, through business correspondents(BC). He acts as a cheap resource for banks but branch correspondents need to be equipped with IT infrastructure like Micro ATMs, Bio Matric Scanner etc., to get things done faster. Some of the major challenges in reference to technology adoption are lack of last mile connectivity, financial and technology illiteracy, lack of technology adoption, etc. Technology has helped enable Multi-channel branchless banking through E-KYC, transaction through mobile banking, Immediate payment system, Micro ATM's, National Unified (USSD platform), RuPay debit cards and Aadhaar payment bridge system. So Govt. needs to focus more on improving technology and creating technology literacy.

Creating financial literacy: financial literacy can be created by including relevant material on financial management in the general education program of schools and colleges. There is also a need to create awareness about financial products by circulation of simple messages of financial management in the easy language amongst rural people through media, education camps, counselling centers, campaigns and via use of innovative technologies.

Embracement of Aadhaar: As there is no centralized information system in this scheme, in such case there are chances of duplication of accounts. To avoid this PMJDY should integrate with Aadhaar to ensure unique financial identities. Banks can act as registrars of aadhaar enrollments and aadhaar enrollment counters should be set up wherever accounts opening camps are organized.

Give protection to account holders: Financial illiteracy, lack of experience and a mistrust of technology exposes the weaker section to fraudsters. In addition, lack of understanding can result in over indebtedness due to overdraft facilities. Banks need to work with their service providers(business correspondents/employees) to provide complete knowledge and comfort to the accountholders with regards their data and money.

Continuous monitoring: There is a need to keep a tight check on performances of banks and this scheme etc. This

Information can be collected from different authorized banks on the enrolment status, saturation levels, RuPay usage and acceptance, availability of financial access and services, usage of the bank accounts, etc., insights around financial literacy, account usage, penetration and saturation, access, etc. Continuous monitoring can ensure better performance of the scheme and budgetary control.

Conclusion

It is a scheme launched by our Prime Minister Mr. Narendra Modi with a national mission of comprehensive financial inclusion. Major objective behind this scheme is financial inclusion and involving as many households as possible in financial system of a country. As like other schemes it also has some issues. Govt., RBI, public Sector banks, Private Banks, financial institutions (all are major stakeholders) all are in need to put efforts to remove those issues and to make this scheme successful. There are three more schemes seems to be a part of this major scheme but very specific, have been launched by our honorable Prime Minister ON 9th May, 2015 with a theme of "JAN DHAN SE JAN SURAKSHA". These schemes are - Pradhan Mantri Jeevan Jyoti Bima Yojna, Pradhan Mantri Suraksha Beema Yojna, Atal Pension Yojna. All what he is trying to do is to upgrade lower class of our country, to provide them social security, to get overall financial inclusion through generating everybody's confidence in our financial system.

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