



PMJDY: A Path of Financial Development

KEYWORDS

Financial Mission, Financial Inclusion, Pradhan Mantri Jan-Dhan Yojana(PMJDY).

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ABSTRACT

Financial Inclusion, broadly defined refers to universal access to a wide range of financial services at a reasonable cost. Financial Inclusion, which ensure the various financial services e.g. Saving and Payment Account, Credit insurance and Pensions. Financial Inclusion also target to avail various services for generating business opportunities, education, retirement benefit, emergency loan. Pradhan Mantri Jan-Dhan Yojana (PMJDY), 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 name Jan-Dhan was chosen through an online competition on the MyGov Platform. Slogan of this scheme is "Mera Khata – Bhagya Vidhata.". Objective of this research work is to explore the PMDY concept and to assess the impact of PMJDY in financial inclusion.

JEL Classification: G-21, G-23, G-28

"Poverty is the worst form of violence." - Mahatma Gandhi

Introduction

The Financial inclusion is the process of ensuring access to financial services timely and adequate credit needed by vulnerable groups such as weaker sections and low income groups at affordable cost. Credit is one of the critical inputs for economic development. Its timely availability in the right quantity and at an affordable cost goes a long way in contributing to the well-being of the people especially in the lower rungs of society. Thus access to finance, especially by the poor and vulnerable groups is a prerequisite for employment, economic growth, poverty reduction and social cohesion. Financial Inclusion, which ensure the various financial services e.g. Saving and Payment Account, Credit insurance and Pensions. Financial Inclusion also target to avail various services for generating business opportunities, education, retirement benefit, emergency loan. Overall the main objective of Financial Inclusion is to provide better Standard of Living and Income for a society at large of the country. Pradhan Mantri Jan-Dhan Yojana (PMJDY) is National Mission for Financial Inclusion through which access to financial services is provided, namely, Banking/ Savings & Deposit Accounts, Remittance, Credit, Insurance, Pension in an affordable manner.

Financial Inclusion, broadly defined refers to universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products.

Approaches of Financial Inclusion:

According to C. Rangarajan there are six approaches in the system of Financial Inclusion, they are, as follows.

1. First, credit to the farmer households is one of the important elements of financial inclusion among them providing credit to the marginal and sub marginal farmers as well as other small borrowers is crucial to the need of the hour.

2. Second, rural branches must go beyond providing credit and extend a helping hand in terms of advice on a wide variety of matters relating to agriculture.
3. Third, in district where population per branch is much higher than the national average commercial banks may be encouraged to open the branches.
4. Fourth, there is need for the simplification of the procedures in relation to granting of loans to small borrowers.
5. Fifth, the further strengthening the SHG-Bank Linkage Programme (BLP), as it has proved to be an effective way of providing credit to very small borrowers.
6. Sixth, the business facilitator and correspondent model needs to be effectively implemented.

The Important Financial Inclusion Initiatives of RBI are as follows

<ul style="list-style-type: none"> • Introduction of "No-Frills" account • Relaxing "Know Your Customer"(KYC) norms • General Purpose Credit Card(GCC) Schemes • Role NGOs, SHGs and MFIs • Business Facilitator (BF) and Business Correspondent(BC) Models 	<ul style="list-style-type: none"> • Nationwide Electronic Financial Inclusion System(NEFIS) • Financial Literacy and Credit Counseling(FLCC) centers • National Rural Financial Inclusion Plan(NRFIP) • Financial Inclusion Fund(FIF) • Financial Technology Fund(FITF)
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Literature Review:

Charan Singh, CL Dadhich and S Ananth " Financial Inclusion and Social Change" Financial Inclusion is expected to make significant changes in the economy, especially the rural economy, which is expected to witness a revolution in availability of financial instruments mainly because of PMJDY, gold monetization scheme and MUDRA. The DBT which will operate through the banking system will also ensure regularity of flow of liquidity in households and therefore opportunities for investment.

Nanjibhai D. Ranparia "Financial Inclusion in Gujarat: A Study on Banker's Initiatives" includes study of various financial inclusion and to evaluate progress and current sta-

tus of financial inclusion of the state

Dr. Anupama Sharma and Ms. Sumita Kukreja, "An Analytical Study: Relevance of Financial Inclusion For Developing Nations" by 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.

C. Paramasivan and V. Ganeshkumar "Overview of Financial Inclusion in India", 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.

Brij Mohan "Pradhan Mantri Jan Dhan Yojana (PMJDY): Features, Needs and Challenges" Since Independence, Government and the RBI have launched many initiatives for financial inclusion, The Pradhan Mantri Jan-Dhan Yojana, a major socio-economic initiative, which growing fast and effectively towards financial inclusion.

Objective

To explore the concept of PMJDY

To assess the impact of PMJDY on Financial Inclusion

Research Methodology

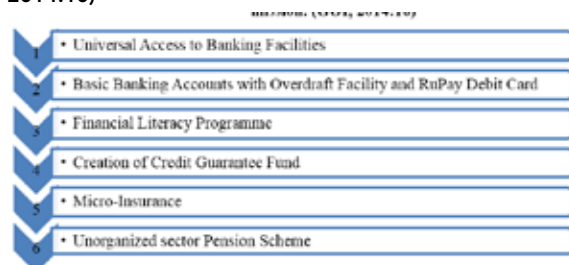
The proposed research work based on descriptive research and analytical research. The research is based on Secondary data which will be collected through the entire relevant source like publication of various corporate bodies, government organization, other published book and journal related to Financial Inclusion and Commercial magazine, Newspaper and various research papers.

"Pradhan Mantri Jan-Dhan Yojana(PMJDY)"

PMJDY 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 name Jan-Dhan was chosen through an online competition on the MyGov Platform. Slogan of this scheme is "Mera Khata – Bhagya Vidhata." The PMJDY lay down the concept of universal access to banking facilities with at least one basic banking account and also to ensure the financial services like Saving & Deposit Accounts, Credit, Remittance, and Pension in an affordable approach.

PMJDY to execute in the Mission manner, it ensure the financial services to all citizens within a reasonable distance.

Following six aspects covers the concept of financial services under this financial inclusion mission. (GOI, 2014:10)



Under the Universal Access to Banking Facilities, each district is defined into Sub Service Area(SSA) catering to 1000-1500 households in a manner that every habitation has access to banking services within a reasonable distance around 5km by 14th August, 2015. It also comprises the parts of J&K, Himachal Pradesh, Uttarakhand, North East and Left Wing Extremism affected district which have telecom connectivity and infrastructure constraints would spill over to the Phase II of the programme(15th August, 2015-15th August, 2018).

Providing Basic Banking Accounts with overdraft facility and RuPay Debit card to all households: The target would be to first cover all uncovered households with banking services by August, 2015, by opening basic bank accounts, Customers would be provided a RuPay Debit Card. The overdraft facility will be available to that account holder whom bank find satisfactory operation /credit history of six months.

Financial Literacy Program, it would be one of the main points of action of the Mission in order to let the account holder and beneficiaries to make best use of the financial services being made available to them.

Creation of Credit Guarantee Fund, its creation to cover the defaults in overdraft accounts.

The Micro Insurance facility to all willing and eligible persons by 14 August, 2018, and then on an ongoing basis

Unorganized sector Pension schemes like Swavalamban, by 14 August, 2018 and then on an ongoing basis

The Objective of 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.

PMJDY is a National Mission on Financial Inclusion encompassing an integrated approach to bring about comprehensive financial inclusion of all the households in the country. The plan envisages six aspects as it is discussed above. In addition, the beneficiaries would get RuPay Debit card having inbuilt accident insurance covers of 1 lakh. (Rupees)

The plan also envisages channeling all Government benefits (from Centre / State / Local Body) to the beneficiaries accounts and pushing the Direct Benefits Transfer (DBT) scheme of the Union Government. Not only this under PMJDY the technological issues are also considered and provided solution for its problem, in general there are always poor connectivity which lead failure to on-line transactions to tackle such issues, the mobile transactions through telecom operators and their established centres as Cash Out Points are also planned to be used for Financial Inclusion under PMJDY.

Facility under PMJDY

<ul style="list-style-type: none"> Interest on deposit Accidental insurance cover of Rs.1.00 lac 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. 	<ul style="list-style-type: none"> 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 upto Rs.5000/- is available in only one account per household, preferably lady of the household.
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Table 1: Account opened under PMJDY Scheme (As on 12/08.2015)

Figure in crore

S. No	Bank	No. of Accounts Opened			No of Rupay Debit Card	Balance in Accounts	Zero Balance Account (%)
		Rural	Urban	Total			
1	Public Sector Banks	7.53	6.19	13.72	12.62	17556.84	45.26
2	Private Banks	2.68	0.46	3.14	2.32	3748.07	47.77
3	Regional Rural Banks	0.42	0.28	0.7	0.62	1089.07	45.71
	Total	10.63	6.93	17.57	15.56	22393.99	45.56

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

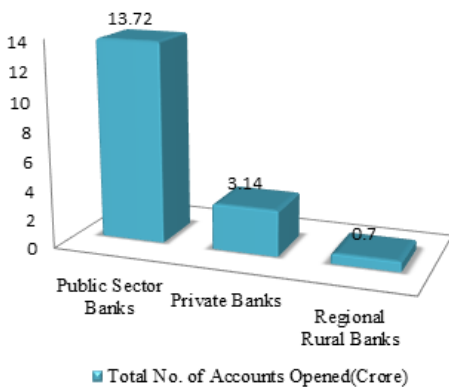


Figure 1

Figure 1: It depicts about the total number of bank accounts opened under the PMJDY Scheme as on 12th August, 2015 through Public, Private and Regional Rural Banks respectively. From the data it is clear that the maximum account opened under the scheme is through Public Sector Bank which shows around 13.72 crore in the same manner Private Bank which shows 3.14 crore and Regional Rural Bank opened around 0.7 crore account under this scheme. As we did analysis of data we found that around 78.08% of the account opened under the scheme is opened through Public Sector Bank, which states that PMJDY scheme is do-

ing effectively through the public sector bank, if we talk about the private bank it has opened around 17.87% of account under the scheme and Regional rural Bank has just covered around 3.98%. So from the data it is clear the financial inclusion mission through PMJDY is effective with through Public Sector Bank.

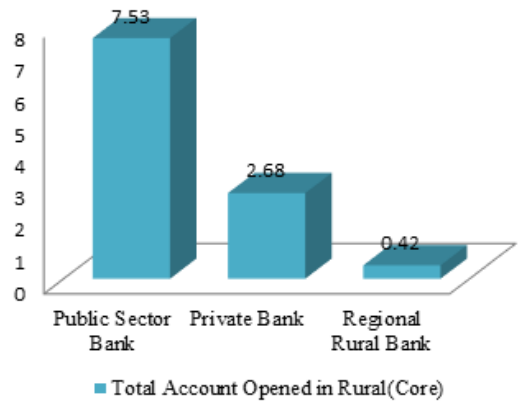


Figure 2

Figure 2: Through this figure we come across the data which shows the total number of accounts opened in rural area under this financial inclusion mission through PMJDY, by Public Sector Bank, Private Sector Bank and Regional Rural bank respectively, it was observed around that around 60.50% of total account it was opened by rural customers, 7.53 crore account opened by public sector bank in rural area which is around 42.85% of total account opened under the mission through public bank in rural area, in the same way 2.68 crore account opened by private bank which is 15.25% of total account opened as on 12th August, 2015 and 0.42 crore account opened in Regional Rural Bank in Rural India, which depicts the 2.39% of total account opened under scheme.

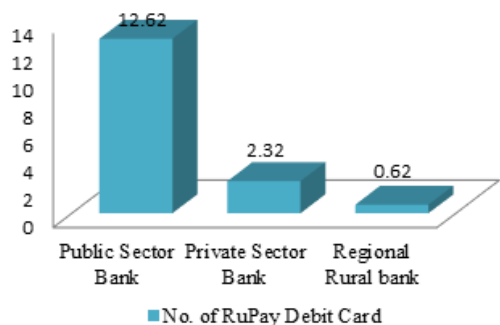


Figure 3

Figure 3: This depicts the total account opened in urban area under this financial inclusion mission, around 6.19 crore account opened by Public Sector Bank which is around 35.23%, Private Bank which opened 0.46 crore account in Urban area which is around 2.62% as on 12th August, 2015 in the same manner Regional Rural bank has opened 0.28 crore account under this scheme which is around 1.57% of total account.

From the Table 1, it can be clear depicting that around 15.56 crore account holder are issued Rupay Debit card which is around 88.56% of total bank account opened so far. In same manner out of 15.56 crore account which are issued to RuPay card, around 81.10% account holder are of Public Bank under PMJDY Scheme as on 12th August, 2015, in same way 14.91% are of Private Bank and 3.98% of account issued Rupay card through Regional Rural Bank.

Conclusion

We have concluded from study that due to PMJDY additional 17.57 crore account has opened in India, through various bank viz. Public Sector Bank, Private Bank and Regional Rural Bank. It signifies that due to launch of PMJDY financial inclusion has headed towards positive direction. As PMJDY is a National Mission on Financial Inclusion encompassing an integrated approach to bring about comprehensive financial inclusion of all the households in the country it has approached effectively by achieving massive number of account opened under scheme, not account opened electronic card (Rupay) also issued and availing Zero Balance Account, which make more effective to this scheme, around 45.56% of total account opened under this scheme are zero balance account.

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