



Financial Inclusion with Special Reference to Pradhan Mantri Jan Dhan Yojana

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ABSTRACT

In most developing countries, a large segment of society, particularly low-income group, has very little access to financial services. As a consequence, many of them depend either on their own or high cost informal sources of finance such as moneylenders for their consumption, other emergency requirements like medical expenditure. Benefits of growth, therefore, tend to concentrate in the hands of those already served by the formal financial system. 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. The DBT which will operate through the banking system will also ensure regularity of flow of liquidity in households and therefore opportunities for investment.

KEYWORDS

Financial Inclusion, bank account, insurance, social protection

Introduction

The Government of India and 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 the major efforts made in the last five decades include- nationalization of banks, building up 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/ BF to be appointed by banks to provide door step delivery of banking services, no frills accounts, Micro Unit Development Refinance Agency (MUDRA) etc. The fundamental objective of all these initiatives is to reach the large sections of the hitherto financially excluded Indian population.

PRADHAN MANTRI JAN DHAN YOJANA

In the light to provide universal access to banking facility Prime Minister Narendra Modi announced the scheme-Pradhan Mantri Jan Dhan Yojana on 15th August 2014. The scheme was formally launched on 28th August 2014. This scheme include basic banking account with overdraft facility of Rs 5000 after six month and RuPay Debit Card with inbuilt accidental insurance cover of Rs one lakh and RuPay Kisan Card and in addition insurance and pension (social protection) under Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Atal Pension Yojana (APY)

1. Account holders will be provided zero- balance account with RuPay Debit Card, in addition to accidental insurance cover of Rs one lakh (to be given by HDFC E-Gro)
2. Citizens who open their account by January 26, 2015 over and above the one lakh, accident cover, they will be given life insurance of Rs 30,000 (to be given by 'LIC')
3. After six months of opening of the bank account, holder can avail Rs 5000 overdraft from the bank.
4. With the introduction of new technology introduced by National Payment Corporation of India (NPCI), a person can transfer fund, check balance through a normal phone which was earlier limited only to smart phones so far.
5. Mobile banking for the poor would be available through National Unified USSD Platform (NUUP) for which all banks and mobile companies have come together.

Advantages of the Scheme

This scheme provide various advantages at the same time suffer with some problems. Advantages include that it is more comprehensive approach- many states achieved almost 100% coverage .E.g. J & K -94%, all states have above 90%.

The opportunity to harness savings through the formal sectors, thereby creating a valuable avenue where household can access their savings without the risk of losing them. Specially, this offers the household an opportunity to channelize their savings with the banking system to areas like education, health and housing rather than lose them when invested in shady pyramid schemes and other informal instruments.

Through this scheme, Government can provide direct benefit to the beneficiary account without any intermediaries. On a large scale it is creating awareness about the basic banking facilities to the disadvantages section of society. In addition it is providing benefit of insurance and pension. On above it is provided by RuPay Debit Card issued by NPCI which stop the fund outflow to abroad by the use of visa- cards and master cards.

Problems of the Scheme

In spite of benefits it has various issues, the first and foremost problem is that most accounts are zero- balance and non- operate which will become dormant and the challenge is to keep the account live!

As of now only 28% of total accounts are active.

With the launch of this scheme PSU- Public Sector Undertakings are not benefiting as most account are zero- balance on that they have to incur maintenance cost. Here private sector banks participation is below par.

With priority customer on the scene zero- balance account customers may be ignored. Facility of overdraft will become the problem of loan retrieval. As customer are taking overdraft and not paying back. in this case it become NPA for banks. While free accidental insurance cover only if RuPay Debit Card used once in 45 days, which is almost not possible for poor income individuals, as NPCI paying premium they want RuPay Card to be used. It become the problem for both banks as well as customers.

Various technical problems facing by bankers and customers like in rural areas, people do not have exact address. It become difficult for banks to send passbook and cheque book to the account holders.

Stress level of bankers increased as they have to open accounts, work long hours until work finished on that particular day. To carry out the work of opening accounts in bulk, there is inadequacy of staff.

Some critics are raising the point that this scheme will not provide employment opportunities to the poor section. Who already starving from hunger, how can they access this scheme. This scheme is not benefiting to them. Government should come up with such scheme which generate employment for weaker section of the society, then only financial inclusion in real sense can be possible.

Conclusion

PMJDY has created the history. PMJDY recognized by Guinness Book of World Record for maximum accounts from August 23rd- 29th 2014. (Hasmukh Adhia)

On the inauguration day of the scheme 1.5 crore bank accounts were opened.

Table: Pradhan Mantri Jan Dhan Yojana (Figures in crore)

S. No.		No. of Accounts Opened			No. of RuPay Debit Card	Balance in Accounts	Percent of Zero Balance Accounts
		Rural	Urban	Total			
1	Public Sector Banks	6.9	5.8	12.7	11.9	14357.5	52.3
2	Private Sector Banks	2.5	0.4	2.9	2.1	3258.5	52.1
3	Regional Rural Banks	0.4	0.3	0.7	0.6	1068.6	49.3
	Total	9.79	6.5	16.3	14.5	18684.6	52.2

Source: Government of India (2015a)

Despite of problems it has many positive impact on economy. This scheme encourage rural people to participate and mobilize their little saving. Saving coming to market will boost the economy.

Customers are benefiting as they are getting direct transfer of subsidies, MNREGA (wages) and other benefits. At the same time it is beneficial to Government, no need to involve intermediaries, follow a long route. They can transfer directly to beneficiary.

Overdraft will act as micro- finance and prevent loan at massive rates, discourage Ponzi scheme and financial fraud like Sahara Scam.

Jan Dhan’s potential social impact is its ability to create a comprehensive social security net along with the three affordable social security schemes: Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Atal Pension Yojana (APY). These three schemes will

respectively cover the risk of life, age for the people in certain age group. In insurance schemes, the nominee/buyer can claim Rs. 2 lakh in case of either death or permanent disability of the buyer, on paying a premium of merely Rs. 12 and Rs. 330 per year respectively. The premium is ‘auto debited’ from the accounts of the policy holder. The insurance schemes are for one year from 1st June 2015 to 31st May 2016 and renewable every year. To access these insurance policies, only a simple one page has to be filled and signed by the buyer. These schemes are a step forward towards creation of sound accessible social security net in the country. All these schemes are linked with Pradhan Mantri Jan Dhan Yojana.

These are almost universally accessible, as these can cover all those who cannot afford similar products privately. The limits of age, bank accounts etc., restrict its scope yet these are probably necessary to make these products viable and implementable. The premium/ investment has been kept so low that it makes these products accessible even to the poorest of poor.

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