



An Overview of Pradhan Mantri Jan Dhan Yojana

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ABSTRACT

“Pradhan Mantri Jan Dhan Yojana” a major socio-economic initiative of the National Democratic Alliance government which was announced by Hon’ble Prime Minister in his Independence Day speech and launched through the mega camps of all nationalised banks on 28.08.2014. The prime objective of the PMJDY is to ensure financial inclusion of the poor and rural population with a view to provide them financial freedom as well as financial stability. The necessity of launching such a mission was felt by the government of India because of the fact that less than two-thirds of the households in the country have access to banking facilities even after 67 years of independence. Hence, this mission seeks to provide all households in the country, both rural and urban, with access to the financial services. The scheme is a national mission on financial inclusion. This paper will discuss the features, performance, growth, advantage, difficulties and achievements of the scheme.

KEYWORDS

Financial Inclusion, Aadhar Card, Business Correspondent Agents, Rupay debit card, Direct Benefit Transfer, Financial Literacy.

METHODOLOGY

The present paper is primarily based on secondary sources of data consisting of government publications, research articles published in journal and available on websites.

INTRODUCTION

Financial inclusion is connotes to the delivery of financial services like savings, credit, insurance, subsidies and other banking services at a minimum costs to sections of disadvantaged and low- income segments of society, since banks are the lifeline of the economy hence the availability of banking services to the entire population without discrimination is the prime objective of financial inclusion. In the Indian context, the term ‘financial inclusion’ was used for the first time in April 2005 in the Annual Policy Statement presented by Mr. [Y.Venugopal Reddy](#), the then Governor, [Reserve Bank of India](#). Later on, this concept gained ground and came to be widely used in India and abroad. While recognizing the concerns in regard to the banking practices that tend to exclude rather than attract vast sections of population, banks were urged to review their existing practices to align them with the objective of financial inclusion. The Report of the Internal Group to Examine Issues relating to Rural Credit and Microfinance (Khan Committee) in July 2005 drew strength from this announcement by Governor Mr. [Y. Venugopal Reddy](#) in the Annual Policy Statement for 2005-06 wherein he had expressed deep concern on the exclusion of vast sections of the population from the formal financial system. In the Khan Committee Report, the RBI exhorted the banks with a view to achieving greater financial inclusion to make available a basic “no-frills” banking account. The recommendations of the Khan Committee were incorporated into the mid-term review of the policy (2005–06). Financial inclusion again featured later in 2005 when it was used by Mr. K.C. Chakraborty, the chairman of Indian Bank. [Mangalam](#) became the first village in India where all households were provided banking facilities. Norms were relaxed for people intending to open accounts with annual deposits of less than Rs. 50,000. General credit cards (GCCs) were issued to the poor and the disadvantaged with a view to help them access easy credit. In January 2006, the Reserve Bank permitted commercial banks to make use of the services of non-governmental organizations (NGOs/SHGs), micro-finance institutions, and other civil society organizations as intermediaries for providing financial and banking services.

Now, following the main concept of financial inclusion PMJDY is definitely a milestone in Indian banking sector. It has some of the most important components which were drafted by the ministry of finance with a great view to provide basic banking services to unbanked class of people. The six pillars which will drive the PMJDY project to establish reality in financial inclusion covers ensuring universal access to banking facility, providing basic banking facility, financial literacy program, micro credit availability, micro insurance and unorganised sector pension scheme.

Action Plan for Implementing PMJDY

There are two phases of this scheme in which the objective of financial inclusion of the poor People are to be achieved.

Phase-I of PMJDY

The first phase of this scheme starts from August 15, 2014 to August 14, 2015 which envisages the following:

- All households across the country have access to banking facilities with at least one Basic Bank Accounts with a bank branch or a fixed point Business Correspondent (BC).
- All households have RuPay Debit Card with Rs. 1 lakh in-built accident insurance covers.
- If bank account is operated satisfactorily for 6 months, Rs. 5000 overdraft facility will be granted to only Aadhaar enabled accounts.
- Direct Benefit Transfer facility of various government schemes will be provided through bank accounts to the beneficiaries.
- The existing Kisan Credit Card is proposed to be issued as RuPay Kisan Card to the farmers.
- Financial literacy programme under the scheme will be implemented up to village level.

Phase-II of PMJDY

The period of Phase II is August 15, 2015 to August 14, 2018 which focuses on the following:

- Micro insurance will be provided to the people.

(b)Swavlamban-an unorganised sector pension scheme is to be proposed through the Business Correspondents.

(c)Households in hilly, tribal and difficult areas will be covered in this phase.

(d)This phase would also cover the remaining adults and students in households.

SCHEME DETAILS

Pradhan Mantri Jan-Dhan Yojana (PMJDY) is National Mission for Financial Inclusion to ensure access to financial services, namely, Banking/ Savings & Deposit Accounts, Remittance, Credit, Insurance, Pension in an affordable manner. Account can be opened in any bank branch or Business Correspondent (Bank Mitra) outlet. PMJDY accounts are being opened with Zero balance. However, if the account-holder wishes to get cheque book, he/she will have to fulfil minimum balance criteria.

- Documents required opening an account under Pradhan Mantri Jan-Dhan Yojana
- If Aadhaar Card/Aadhaar Number is available then no other documents is required. If address has changed, then a self certification of current address is sufficient.
- If Aadhaar Card is not available, then any one of the following Officially Valid Documents (OVD) is required: Voter ID Card, Driving License, PAN Card, and Passport & NREGA Card. If these documents also contain your address, it can serve both as Proof of Identity and Address.
- If a person does not have any of the "officially valid documents" mentioned above, but it is categorized as 'low risk' by the banks, then he/she can open a bank account by submitting any one of the following documents:
- Identity Card with applicant's photograph issued by Central/State Government Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks and Public Financial Institutions;
- Letter issued by a gazette officer, with a duly attested photograph of the person.

SALIENT FEATURES OF THE BASIC PILLARS OF PMJDY

The salient features of the basic pillars of the scheme are explained as under:

Universal Access to Banking Facilities

The first basic pillar of the PMJDY is to provide access to banking facilities and services to ensure financial inclusion of hitherto neglected segment of the society. More than 6 lakh villages in the country are to be organised into Sub Service Areas and allocate to banks. Banks are required to provide one fixed point banking outlet as a either branch or Business Correspondent (known as 'Bank Mitra') to cater services to 1000 to 1500 households. Besides, Mobile Telephone services would be effectively utilised to deepen financial inclusion. Mobile BCs covers only bigger villages, while fixed point BCs ensures uniform access and uniform coverage. All the villages and habitations in the country will get access to banking services within a short distance of 5 kms. Some parts of J&K, H.P., Uttarakhand, North East and 82 Naxalists affected districts are now excluded from this plan due to constraints of infrastructure and telecom connectivity but these areas are to be covered by August 2016.

Providing Basic Banking Accounts

Total households in India are 24.67 crore out of which 14, 48 crore households have access to banking services. About 13.14 crore rural households are allotted to PSBs (Public Sector Banks) and RRBs (Regional Rural Banks) out of which 7.22

crore households have been provided banking services till March 2014. These banks had to achieve the target of opening of 7.5 crore new bank accounts, comprising 6 crore rural and 1.5 crore urban uncovered households, by March 2015. The target may not be achieved in difficult area where connectivity constraints are existed. To achieve this target, camp approach, modern technology, e-KYC, and Aadhar numbers and call centres, etc, will be efficiently used. Accounts of SHGs and Joint Liability Groups will also be opened.

The National Payments Corporation of India recently launched Indigenous debit card called as RuPay Debit Card which is India's own card system. Further, the Kisan Credit Card is also to be provided with the RuPay Card. This card covers an accidental insurance benefit of Rs. 1 lakh and life insurance of Rs. 30,000.

Financial Literacy

Before implementing any programme like micro finance and SHGs, it is necessary to create awareness among the people about the benefits of formal financial system, banks, savings, credit, timely repayment of loans and other services. About 718 Financial Literacy Centres have been setup and 2.2 million people have received the benefits of awareness camps, seminars and lectures during 2012-13. However, such type of FLCs has not been established in rural areas. It is, therefore, proposed to set up FLCs at the block / taluka level and financial literacy cells will be created in all rural bank branches. It is also planned to make a convergence with the National Rural Livelihood Mission and the National Urban Livelihood Mission and also to take help of NGOs working with NRLM and NULM to achieve the objective of financial literacy. The knowledge regarding basic financial literacy, operating an

ATM card, benefits of timely repayment of loan and overdraft due, etc, will be imparted in the awareness camps and camps conducted for opening of bank accounts.

Credit Guarantee Fund

It is proposed to create Credit Guarantee Fund under this plan. The CGF will be created and kept under the National Credit Guarantee Trust. This fund will give a security to banks to provide over draft credit and will bring in discipline in the monitoring mechanism. It is estimated that about Rs. 8500 crore corpus will be required. Out of total CGF, half of the amount will be contributed by banks in terms of guarantee fee and rest of the amount of fund will be given by the government.

Micro Insurance

Micro life and general insurance policy is given under this scheme to provide insurance coverage to the poor and economically vulnerable sections of the society. The general insurance can be provided to an individual or a group which comprises health insurance, personal accident, and insurance of house, livestock, tools, machinery and instruments. A life insurance policy is a term insurance contract, endowment insurance policy or a health insurance policy. The existing 'Aam Aadmi Bima Yojana' is also a micro insurance policy with the coverage of only 4.6 crore against the target of about 12 crore beneficiaries. The 'Bank Mitra' mechanism will offer micro insurance policies in order to cover the rest of the beneficiaries.

Provision of Pension Scheme

The central government has launched a co-contributory pension scheme in 2010 known as "Swavlamban Pension Scheme" to encourage workers in the unorganised sector to save income on their own for their old age. Under this scheme, National Pension Scheme account is open in a bank and Rs 1000 to Rs. 12,000 are deposited per annum for a period of five years. The government has to contribute Rs. 1000 per annum in each NPS account. The Pension Fund Regulatory and Development Authority were set up by the government to implement the NPS and 79 Aggregators are appointed by the PFRDA to operate the NPS.

**PROGRESS REPORT OF PMJDY SCHEME:
No. of Accounts Opened as on 31.01.2015
Table 1**

Bank Name	Rural	Urban	Total No. of Ac- counts	No. of Rupay Debit card	Balance in ac- counts (in Lacs)	No. of accounts with zero balance
Public sector banks	53300249	45147276	98447525	91232024	817463.04	65541407
Rural Regional Bank	18489448	3297833	21787281	14967614	159948.08	15935405
Private Banks	3226397	2012086	5238483	4593161	72551.50	2996917
Grand Total	75016094	50457195	125473289	110792799	1049962.62	84473729

**2. PMJDY PHASE II:
No. of Accounts Opened as on 24.02.2016
Table 2
(All Figures in Crores)**

Bank Name	Rural	Urban	Total No. of Accounts	No. of Rupay Debit card	AADHAAR SEEDED	Balance in accounts	No. of accounts with zero balance
Public Sector Bank	9.22	7.30	16.53	14.08	7.82	26094.05	29.41
Regional Rural Bank	3.19	0.53	3.72	2.67	1.10	5756.44	24.50
Private Banks	0.45	0.30	0.75	0.71	0.25	1224.40	38.87
Total	12.87	8.13	21.00	17.46	9.17	33074.89	28.88

Disclaimer: Information is based upon the data as submitted by different banks/SLBCs
Source: www.pmjdy.gov.in

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From table 1 and table 2 it can be easily accessed that there is a tremendous amount of increase in no. of accounts opened both rural and urban, No. of Rupay Debit card, Balance in accounts and No. of accounts with zero balance.

**3. Report on OVERDRAFT (Sanctioned/Disbursed) under PMJDY as on 15.01.2016:
Table 3**

Total No. Accounts Offered For OD	5354075
Total No. Accounts OD Sanctioned	2756516
Total No. Accounts OD Availed	1232997
Amt. Total OD Availed (In Lacs)	Rs 16670.91

IMPORTANT AND BENEFICIARY FEATURES OF PRADHAN MANTRI JAN DHAN YOJANA

1. Zero Balance Account

The accounts opened under PMJDY scheme are zero balance account that means initially an account holder does not need to maintain any bank balance. Under this scheme anyone who is a citizen of India above 10 years and does not have a bank account, can open the account with zero balance.

2. Direct Benefit Transfer

It is an another valuable feature of PMJDY ,under this scheme those bank accounts which are linked to Aadhar Ids can avail government subsidies by electronic transfer directly into their

accounts. For e.g. Gas and Food subsidies.

3. Overdraft/ Loan Benefits

The account holder can take the benefit of loan of Rs. 5000. Provision of overdraft up to ` 5,000/- is projected to have a multi dimensional benefits like, this exigency fund shall be a great support for poor borrower in meeting out their basic needs like health, farming etc. Provision of up to 5,000/- as overdraft is provided after 6 months of satisfactory operation / saving / credit history (it is a credit and not grant). Overdraft facility up to Rs.5000/- is available in only one account per household, preferably lady of the household.

4. Mobile banking facilities

PMJDY scheme provides mobile banking facility through which the account holders can avail the facility of checking and transferring the balances of their accounts through a normal cell phone which is more affordable to the target group and general economy.

5. Life insurance and accidental cover

Under this scheme the bank accounts comes with Rupay debit card with accidental cover of Rs. 1 lakh as well as a life insurance cover of Rs. 30000 for all those whose subscribed to a bank account for the first time during the period of 15th August 2014 to 26th January 2015. To get benefit of Accidental Insurance Cover, RuPay Debit Card must be used at least once in 45 days.

6. Micro-Insurance under PMJDY

The scheme focuses on providing micro insurance to the people. Insurance Regulatory and Development Authority (IRDA) has created a special category of insurance policies called micro-insurance policies to promote insurance coverage among economically vulnerable sections of society. A micro-insurance policy can be a general or life insurance policy with a sum assured of ` 50,000 or less. A general micro-insurance product could be (i) Health insurance contract and (ii) Any contract covering belongings such as Hut, Livestock, Tools or instruments or any personal accident contract. These can be on an individual or group basis.

7. Unorganized Sector Pension Scheme – Swavlamban

The scheme is open to any citizen of India in the unorganized sector, aged between 18 to 60 years. A person is deemed to be in the unorganized sector if he/she is not in regular employment of the central/state government or an autonomous body having employer assisted retirement scheme, or is not covered by any social security scheme.

The Government of India contributes 1000 p.a for a stipulated period to all eligible NPS (New Pension Scheme) Swavlamban accounts where the subscriber deposits a minimum of ` 1000 to maximum of 12000 p.a. The benefit of the Government of India co-contribution is presently available up to 2016-17.

GROWTH AND ACHIEVEMENTS

1. The scheme is really beneficial for the rural population where banking services and other financial institution are rarely available.

2. Accounts can be opened with zero balance in any bank branch or through Business Correspondent (Bank Mitra) outlet, specially designed for the purpose of opening the accounts under this scheme.

3. The Rupay debit cards which are invented, created and developed wholly and solely by Indian technology, is an indigenous domestic debit card introduced by National Payment Corporation of India (NPCI). It can be used by the account holder at all ATMs for cash withdrawal and at most of the re-

tail outlets for making transactions of purchase.

4. If a person has already a bank account and it is not attached to PMJDY scheme then there is no need to apply again, the account holder just need to get a Rupay card and can get themselves enrolled into the system.

5. The scheme also provides benefits to person's who does not have any official documents, as the bank can still open up their account with just his/ her photo and signature and that account shall be called as "small accounts". Although there are some restrictions imposed by RBI, such as accounts have a limitations regarding the aggregate credits (not more than Rupees one lac in a year), aggregate withdrawals (nor more than Rupees ten thousand in a month) and balance in the accounts (not more than Rupees fifty thousand at any point of time). These accounts would be valid normally for a period of twelve months.

DIFFICULTY AND SUGGESTIONS:

1. The whole scheme is generally financial literacy oriented therefore there should be a proper training camp sessions for the Bank Correspondents (Bank Mitra) as they are the middlemen of the scheme as well as one of the crucial factors too. A financially illiterate person shall be in need of a guide whom with he can discuss and ask things related to the scheme. Great dedication and involvement of Bank Correspondents will definitely take the programme to some great heights.

2. No doubt this is the most successful financial inclusion programme introduced by the government of India, Guinness Book of World Records has also recognised the Achievements made under PMJDY, but it is quite possible that multiple accounts would have been opened by single person in different banks either due to unawareness or by greed. Although the scheme is very clear in providing single benefit to one person only, irrelevant to the multiple bank accounts opened by him. Bank can also establish a single information sharing system to weed such multiple accounts.

3. The key factor for successful implementation and outstanding performance of this scheme is in the hands of banks; therefore it's a great challenge for every nationalised bank as they will need more manpower, technology and better risk management techniques.

4. The scheme gives a free accident insurance cover worth Rs. 1 lakh to the every single account holder, the holder must use the Rupay debit card at least once every 45 days which is quite difficult for remote tribal areas even after the presence of Bank Correspondents.

CONCLUSION

Pradhan Mantri Jan Dhan Yojana is one the most featuring scheme till now, the scheme justifies itself on basic grounds which are to promote financial literacy, universal access to banking facility and providing various financial services as well as on promoting savings. The scheme is definitely a great help for those weaker sections of society, who have an ability to save. It is a far sighted and long term scheme which still needs great management in terms of banking services as Banks are the backbone of every economy, any mismanaged government plan will make them suffer. Growth of this scheme will help the other developmental schemes of the government of India, for instance digital India, skill India and the union budget of 2016- 17 itself which focuses mainly on agriculture and infrastructure. The widely acknowledged & successful launch of this PMJDY scheme also strengthens the resolve that when coordination, dedication, opportunism, commitment, formalization, dependence, trust, satisfaction, cooperation and continuity is provided by all the constituents and stakeholders, a framework of construct is created which acts as a dominant force for accomplishment of the mission.

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