

Pradhan Mantri Jan Dhan Yojana: A journey from phase 1 to phase 2

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Abstract

Pradhan Mantri Jan-Dhan Yojana (PMJDY) to ensure financial inclusion is one of the key projects launched by the Indian Government. It aims at removing financial untouchability by providing access to financial services namely banking, saving & deposit Accounts, Credit, Insurance etc. in an easy and affordable manner. PMJDY has been initiated to achieve the target of providing a universal access to banking facilities starting with zero balance accounts. This scheme is the biggest financial inclusion initiative in the world which has set a record by opening 18, 096, 130 accounts in just one week (from August 23 to August 29, 2014). This paper endeavours to analyze the working, growth and journey of PMJDY from its launch in August 2014 to April 2016. It also discusses various attributes of this scheme highlighting the difference between actual provisions and wrong perceptions created among people about this scheme.

Keywords: Pradhan Mantri Jan Dhan Yojana, Banks, Financial untouchability, financial inclusion, low income group, zero balance account, customers

Introduction

'Banking for the unbanked' is the main motive behind the launch of Indian Government's flagship programme of financial inclusion named as Pradhan Mantri Jan Dhan Yojana (PMJDY). India is a fast developing country but with growing economic inequalities. Even in this modern era of internet, there exists many backward areas where people do not have any awareness about banks and their working. There are many low income people who do not have any link with any kind of bank. A big chunk of population is still unbanked, dependent on traditional sources of credit like money lenders, big landlords who exploit them by charging exorbitant rates of interest. These poor and vulnerable groups do not have access to financial services. So to reduce poverty, to address vulnerable groups, to inculcate the habit of saving, to increase capital formation etc., there is a need to enhance financial inclusion. To address such issues and to take a step further to increase financial inclusion, the Prime Minister of India Shri Narendra Modi announced a new scheme known as Pradhan Mantri Jan Dhan Yojana (PMJDY) on India's Independence day in 2014.

The present paper attempts to analyze the working, growth and journey of Pradhan Mantri Jan Dhan Yojana (PMJDY) from its launch in August 2014 to April 2016. This paper has been divided into three sections. Section-I explains the intent and peculiarities of PMJDY. Section-II highlights the need and significance of this scheme to ensure financial inclusion and give details of difference between myth and reality of this scheme

Section-III find out the change and growth from Phase -I (15 August, 2014 to 14 August, 2015) to Phase -II (still going) of this scheme.

Objectives of this paper

1. To highlight the content and scope of this scheme.
2. To study the working and performance of this Yojana.

3. To examine the change and growth from introduction of this scheme to till today (upto April 27,2016)
4. To assess its effectiveness in attracting people and connecting them to banking system.

Methodology

The present paper is based on secondary data. Various government sites, finance ministry reports, information on various bank sites, government publications are used to collect data. Many newspapers and journals are also referred.

Review of literature

'Bhatt and Pawar (2015) [4] has attempted to study financial inclusion programme in India with special reference to Pradhan Mantri Jan Dhan Yojana (PMJDY) highlighting its key areas and strategies for sustainability of this scheme. They concluded that success of PMJDY scheme depends on the effective regulatory system and regular monitoring of the successful implementation of the programme.

Kaur and Singh (2015) [3] studied the recent trends in financial inclusion in India with special reference to Pradhan Mantri Jan Dhan Yojana (PMJDY) highlighting its key areas and suggesting strategies to ensure maximum financial inclusion for the underprivileged and unbanked areas.

Section-I

Pradhan Mantri Jan Dhan Yojana (PMJDY) is a national mission for financial inclusion of every individual who does not have a bank account. The aim of the scheme is to ensure access to financial services like savings and deposit accounts, credit, insurance, remittance, pension etc. in an easy and affordable mode. This scheme has been announced by the Prime Minister of India Sh. Narendra Modi at the Red Fort on Independence day in 2014 under which he emphasized that every family living in India must have a bank account. All Indian families will be enrolled in a bank for opening a zero balance account as a first step of this scheme.

This scheme is made to benefit the common man of India as announced by the Prime Minister of India. Under the PMJDY anyone who is citizen of India having age above ten years and does not have a bank account can open account with zero balance in any bank branch free of cost. The customers opening an account are not required to maintain any minimum balance.

A special arrangement of Bank Mitra (Business Correspondent) has been made for opening the accounts under this scheme for the areas not having direct access to banking services. Even banks around the country have launched enrollment camps for opening of zero balance saving accounts around the country.

With the opening up of new account, each family will be issued a Rupay debit card which can be used to withdraw money.

This scheme will provide accidental insurance cover upto one lakh without charging any amount from the account holder. Account holders will be also be given life insurance cover of Rs. 30,000/-.

An overdraft facility of Rs. 5,000 can be availed by the account holder after six months of opening an account but on the condition if account has been active and doing transactions.

Under PMJDY, the customers can avail certain facilities like transferring funds, checking balance through a phone also which was earlier available only on smart phones.

Usefulness

The initiative taken by the Prime Minister to start this mega project is to give assistance to poor to remove financial untouchability and economic inequality. This scheme will inculcate the habit of saving among poor people which will help them to face unforeseen contingencies of the future. This will generate confidence among them that they are at par with other people as are connected with the economy through banking system. According to Pawar & Bhatt, this mission aims to provide formal financial support through the organized financial system. PMJDY is reducing the informal system of money lending and promoting the culture of saving (Pawar & Bhatt, 2015)^[4].

The government also aims at providing them formal credit facilities, subsidies and running other welfare programmes e.g. more than Rs. 4273 crore have been routed through these accounts till June 2015 towards payment of wages under MGNREGA. Transfer of subsidy of more than Rs.17446 crore through Jan Dhan accounts from November 2014 to 31st July 2015. (Pib.nic.in)

Section-II

The main pretension of Pradhan Mantri Jan Dhan Yojana (PMJDY) is to ensure financial inclusion of every individual. Financial inclusion denotes delivery of financial services at an affordable cost to the vast sections of the disadvantaged and low income groups. The various financial services include credit, savings, insurance and payments and remittance facilities. The objective of financial inclusion is to extend the scope of activities of the organized financial system to include with its ambit people with low incomes. Through graduated credit, the attempt must be to lift the poor from one level to another so that they come out of poverty. (www.bankofindia.co.in). In a developing country like ours

poor people are facing many difficulties in accessing formal sources of credit. They used to rely on their local village money lenders or easily accessible sources. Due to the absence of saving, the poor have been living under financial duress for long. The unbanked population has been powerlessly dependent on informal channels of credit like the usurious moneylenders. In addition, a considerable sum of money that is meant for the poor does not actually reach them. The government is pushing for direct cash transfers to beneficiaries which needs a bank account (Mehta, 2014)^[1]

So Pradhan Mantri Jan Dhan Yojana (PMJDY), a flagship program of government of India is a huge step towards financial inclusion which is launched with the objective of covering all households in the country with a bank account. Besides zero balance accounts, it attracts people with many lucrative offers like overdraft facility, life insurance, accidental insurance cover, Rupay debit card etc.

But things are different in practical which a poor and illiterate person is not able to understand e.g. the most attractive part of this scheme for a poor person is its overdraft facility of Rs. 5000/- which is completely left to the discretion of the banks. By talking to a maid and many low income people of their locality and even from employees of certain banks, I came to know that people understood it as every account holder will get Rs.5000/- in his/her bank account after one year of opening the account. This is sheer ignorance because all the conditions are not revealed to people. What would be the criteria for selecting account holders under this scheme for overdraft facility and how many transactions and what kind of transactions are considered as sufficient to avail this facility are not known to the people. The provision that all account holders can avail Rupay debit card is alluring but what is the use of this debit card for zero balance account. There may be chances of duplication also. Many people who already have bank accounts are opening new accounts in different branches lured by overdraft facilities, insurance covers etc. but this scheme is only for those poor people who don't have bank account. This scheme has created unnecessary burden over banks in the form of their diversion from other dealings and transactions to opening these zero balance accounts. No doubt, all banks whether public or private are included in the scheme to entertain customers but the data shows public sector banks are far ahead. But it is making loss of business to public sector banks in terms of shifting of rich customers to private sector banks. From the banking sector perspective, this scheme is not making any benefit or profit to banks.

Section – III

Pradhan Mantri Jan Dhan Yojana (PMJDY) is to be implemented in two phases.

First phase: (from 15 August 2014 to 14 August 2015):- This phase included universal access to banking facilities providing basic bank account with Rupay debit card, accidental insurance cover of one lakh and to introduce financial literacy programmes.

Second phase: (15 August 2015 to 14 August 2018): This phase will cover micro insurance, overdraft facility, unorganized sector pension schemes like swavlamban, creation of credit guarantee fund.

As far as phase – I is studied, it has been implemented very successfully. The announcement by PM Modi of zero balance account with so many facilities was sufficient to attract people from low income group and others to connect themselves with the banking system. From the launch of this scheme to January 2015 end, the major part of the target was achieved. The target

of opening one account per household was achieved by 26th Jan, 2015 barring few areas in J&K and left wing extremism affected districts. The success of the Pradhan Mantri Jan Dhan Yojana had shown the potential of the enormous role that the financial inclusion program can play in the rise of the economy. (pib.nic.in)

Table 1: No. of Accounts opened under PMJDY as on 31.01.2015(summary)

	Rural	Urban	No. of Accounts	No. of Rupay Debit card	Balance in Account (in lakhs)	No of Accounts with zero balance
Public sector banks	53300249	45147276	98447525	91232024	817463.04	65541407
Regional Rural 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

Source: Department of Financial Services, Ministry of Finance

Table 2: No. of Accounts opened under PMJDY as on 27.04.2016

	Rural	Urban	No. of Accounts	No. of Rupay Debit card	Balance in Account (in lakhs)	No of Accounts with zero balance
Public sector banks	95192409	75238730	170431139	144179464	2896498.58	45547966
Regional Rural bank	32916141	5408110	38324251	27185660	644329.15	8617759
Private banks	4924815	3072318	7997133	7530737	138727.68	3035039
Grand total	133033365	83719158	216752523	178895861	3679555.41	57200764

Source: Progress Report, Department of Financial Services, Ministry of Finance

Table- 1 and Table – 2 clearly mention the total number of accounts opened under PMJDY. Share of Public Sector Banks, Private Banks and Regional Rural Banks is also explained. Both the tables show that under this scheme, Public Sector

Banks are leading in account opening followed by Regional Rural Banks. Private Banks have opened least no. of accounts. This shows that people are still trusting public sector banks most.

Table 3: Percentage change from Jan 2015 to April 2016 (under PMJDY)

	Public sector bank accounts	Private sector bank accounts	Regional rural bank accounts	Total No. of accounts
2015 (as on 31.01.2015)	98447525	5238483	21787281	125473289
2016 (as on 27.04.2016)	170431139	7997133	38324251	216752523
% change	73.12	52.66	75.90	72.75

Table 3 shows that from January 2015 to April 2016 total no. of accounts has been increased by 72.75 percent. No. of accounts with Public Sector Banks are increased by 73.12 percent, Private Sector banks by 52.66 percent and with Regional Rural Banks by 75.90 percent.

This national mission for financial inclusion was started with zero balance account but day by day this trend is changing. People who opened account with zero balance are improving their banking habits. They started saving leaving their unwanted spending habits.

connecting them to banking system. The trend of zero balance account has been declined from 45 percent in September 2015 to 27 percent in April 2016.

Conclusion

Pradhan Mantri Jan Dhan Yojana (PMJDY) is government’s appreciable effort to ensure financial inclusion and to remove financial untouchability. This initiative taken by PM Narendra Modi will help the poor to become financially strong and connecting themselves to the vehicle of the economy. This scheme is having a comprehensive coverage as it includes both rural as well as urban areas. As far as performance and working is concerned, it has been efficiently implemented and also promoting financial literacy. It is acting as a platform for creating habit of saving, providing subsidies to poor people and running welfare programmes for such low income groups. Number of accounts opened under this scheme are continuously increasing and zero balance accounts are declining so, phase -1 is doing very well. But it is creating over work burden on public sector banks. Moreover lucrative incentives of this scheme are resulting in duplication of accounts. Second phase is still going on. It is in its initial stage. It is having the most attractive feature of overdraft facility which is not clear to most of the people opening the account as it is having certain secret conditions known only to

Table 4: Trend of zero balance accounts under PMJDY (in %)

30-Sep-15	45
28-Oct-15	38
25-Nov-15	35
30-Dec-15	32
27-Jan-16	31
24-Feb-16	29
30-March-16	28
27-April-16	27

Source: Department of Financial Services, Ministry of Finance, Government of India

Table -4 is clearly indicating that Government is successful in inculcating the habit of saving in low income group by

bankers and are left to the discretion of bankers. People are also not aware about pension schemes related to this mega project. So it can be concluded that the PMJDY is a well planned attempt to improve financial inclusion and helping poor people. It is having a large untapped potential. The need is to fill the gaps between realities of the scheme and myths adopted by the people.

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