



PRADHAN MANTRI JAN DHAN YOJNA – A ROAD TO FINANCIAL INCLUSION

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ABSTRACT :

Financial inclusion has been a priority goal of the RBI and the Government of India for decades to reduce poverty and minimize social and financial exclusion, thus promoting inclusive growth. Various initiatives and schemes have been launched collaboratively by RBI and the Government of India in this direction to bring substantial segments of the rural population into the banking system, acknowledging that financial inclusion is critical for India's long-term economic growth and development. Although our country's economy is increasing at a one-digit rate, the growth is not evenly distributed, with the economic situation of individuals in rural areas deteriorating further. Being financially excluded is one of the most common causes of poverty. Even after decades of independence, about ten crore families do not have access to banking services.

Pradhan Mantri Jan Dhan Yojna (PMJDY) – a financial inclusion campaign launched by the Government of India – is considered a boon for it has shown tremendous results and accomplished many of the objectives RBI and the Government of India have been striving to achieve. The scheme aims to lower the degree of "financial untouchability" in the country. It is a massive financial inclusion initiative to provide banking services and insurance coverage to all households in the country. The goal is to accelerate growth, successfully combat poverty, and empower the Indian economy's last man in the last row.

Against this backdrop, the present paper sought to discuss the overview of the Pradhan Mantri Jan Dhan Yojna and its contribution to achieving financial inclusion.

Keywords: Financial inclusion; PMJDY; Inclusive growth; Financial literacy

I. INTRODUCTION :

Financial inclusion has come up as a possible solution to the decades-long suffering of people in poverty and social exclusion, as it provides an avenue to reap the benefits of the formal financial system. It is considered a key to accelerating the economic growth and development of a country as it provides an opportunity for people to directly participate in the financial system, benefiting the country and, in turn, getting benefit from it.

Rangarajan (2008) defined financial inclusion as "The process of providing access to financial services and timely and sufficient credit needed by vulnerable sections of society, such as weaker and low-income groups, at an affordable cost." Financial inclusion is a high priority goal for countries worldwide as it helps to combat poverty (N'Dri & Kakinaka, 2020), minimizes social and financial exclusion, enhances the overall standard of living (Grant, 2019) and empowers economic growth (Makina, 2017).

Varghese and Viswanathan (2018) argued that the resource base of the formal financial system could be expanded with the help of financial inclusion by developing a practice of saving among the impoverished people, thereby leading them a step nearer to the process of socio-economic development (p. 2). Many of the studies have attested to it and revealed that financial inclusion facilitates households to manage their financial resources better (Singh et al., 2017; Fanta & Makina, 2019), making them invest more in health and education (The World Bank Group, 2008; Fanta & Makina, 2019), thus enhancing their standard of living and boosting prospective future earnings (Fanta & Makina, 2019).

Various efforts have been made collaboratively by the RBI and the Government of India to promote financial inclusion to make the country more developed, helping people combat poverty and exclusion and encouraging them to participate in its economy. Some bear fruitful results, and some do not, but the overall achievements could not surpass the failures. As a result, the country was still striving to achieve complete financial inclusion. To revitalize efforts for financial inclusion, the Indian Government has proposed a new scheme to compensate for all failed efforts to raise society's standard of living, particularly the vulnerable section of society.

Pradhan Mantri Jan Dhan Yojna (PMJDY) – a national mission launched by the Hon'ble Prime Minister of the Government of India on August 28, 2014 – played a pivotal role in achieving the targets concerning financial inclusion. The scheme is based on the motto "Sab ka Saath sab ka Vikas", i.e., inclusive growth, and aims to provide affordable access to various financial services, namely Banking, Savings & Deposit Accounts, Remittance, Credit, Insurance, and Pension, thereby to bring the entire population, particularly the most vulnerable sections of society, within the purview of the formal financial system.

II. REVIEW OF LITERATURE :

Bagli (2012) observed a strong positive relationship between human development and the financial inclusion of states in India. He also identified that it would be beneficial for governments, financial regulators, or other policymaking bodies to improve financial inclusion, but financial inclusion in India is not noteworthy. He has also concluded that achieving financial inclusion requires widespread financial literacy and awareness among the disadvantaged.

Sri Narendra Modi, Hon'ble Prime Minister of India (2014), in the report of PMJDY, mentioned a few challenges in the implementation of the mission. One of the obstacles was boosting brand awareness, and sensitization about Business Correspondent Banks, Outlets, and RuPay Cards, which is critical in achieving a "demand" side pull effect. The financial tripod for financial inclusion is also highlighted in this study, with financial education as one of the mainstays.

In their research article, **Chowhan & Pande (2014)** explain the importance of financial inclusion and the influence of the Pradhan Mantri Jan Dhan Yojna in achieving financial inclusion. They have concluded that financial inclusion safeguards low-income people's economic wealth and other resources in emergencies by bringing them within the perimeter of the formal financial system. By providing simple access to formal credit, financial inclusion also reduces the exploitation of disadvantaged groups by usurious money lenders. The Pradhan Mantri Jan Dhan Yojna is at the heart of India's development ideology of Sab Ka Saath Sab Ka Vikas, which alleviates such hardships.

In their study, **Kaur and Singh (2015)** emphasized that financial inclusion in India will assist the Government and bankers reach the untapped potential of the Indian economy's bottom of the pyramid segment.

Raval (2015) discussed the significance of including people from low-income or disadvantaged backgrounds in economic development in his research. PMJDY is the Government of India's initiative in this direction. He also observed that an initiative to reach the "excluded segment" could be successful if supported by private sector efforts and public engagement that extends beyond government policy formation.

Balasubramanian (2015) emphasized the significance of financial literacy, underlining the relevance of saving habits among the poor. As per his decision tree model, the number of earning members, family size, average monthly income, and nature of the job are deterministic independent variables that influence the poor's regular saving behaviour.

In his research paper, **Valavana (2015)** discussed the mission mode objectives of the financial inclusion policy given by the Government of India. He has highlighted some schemes and projects carried out by Canara Bank to support financial inclusion. He has concluded that achieving financial inclusion objectives is essential to provide financial security to poor people all over the country.

In their journal, **Goyal and Khera (2016)** highlighted the status of and progress made under the PMJDY scheme, where the rural sector's contribution to the opening of accounts is relatively higher than the urban sector. The study also revealed that Uttar Pradesh is on top with the highest number of accounts opened in the state-wise scenario, including rural and urban sectors.

In their study, **Joshi & Rajpurohit (2016)** observed that rural people do not have enough exposure to banking products and services available, nor do they realize their importance. They have emphasized that the lack of awareness of the critical function of banking services in financial improvement is the leading cause of the low level of understanding of financial inclusion plans.

III. STRATEGIC OBJECTIVES OF FINANCIAL INCLUSION :

Financial inclusion envisages obliterating poverty and uplifting people's living standards by promptly providing affordable financial products and services to all citizens. Hence, the RBI has highlighted some key objectives of financial inclusion policies to penetrate the financial inclusion process all around the country. These key objectives are as follows (Fig. III):

- **Universal Access to Financial Services:** The RBI aims to provide formal financial services to every village within a radius of 5 Km. The traditional banking system is moving towards digital banking, which provides hassle-free customer service and a simple and paperless banking system.
- **Providing a basic bouquet of financial services:** The second key objective is to provide an assessable and affordable bouquet of financial services to all eligible people. A basic bouquet should comprise at

the very least a Basic Saving Bank Deposit Account, credit, a micro life and non-life insurance product, a pension, and a suitable investment product.

- **Access to livelihood and Skill Development:** The Government launched various livelihood and skill development programmes to help people learn and enrich their skills to undertake economic activities. These skills will help them earn a livelihood for themselves and their families, further improving their standard of living.
- **Financial Literacy and Education:** Financial literacy is vital in ensuring financial inclusion. People need to be aware of the several financial products and services available to them and know which to choose as per their suitability to enhance their economic well-being.
- **Customer Protection and Grievance Redressal:** Providing a solid customer protection architecture is crucial in ensuring people's continuous usage of financial products and services. It will help tackle the problem of digital risks and work on cybersecurity. Financial inclusion also aims to provide a grievance redressal mechanism to the timely and effective resolution to customers' queries and problems.
- **Effective Co-ordination:** A collaborative and well-coordinated effort by all the stakeholders, viz. the Government, the regulators, financial service providers, telecom service regulators, skills training institutes, are needed to make the financial inclusion policy more practical and achievable.



Fig. III. Strategic objectives of financial inclusion

Source: Jain, M. (2020, Jan). National Strategy for Financial Inclusion (NSFI): 2019-2024. RBI Report, pp.17

IV. PRADHAN MANTRI JAN DHAN YOJNA (PMJDY) :

Pradhan Mantri Jan Dhan Yojna (PMJDY) – a national mission for financial inclusion – was launched by the Hon'ble Prime Minister, Government of India, on August 28, 2014, with the vision of economic liberation, prosperity, and growth for all. The PMJDY, or 'People's Wealth Scheme,' was launched under the motto 'Mera Khata – Bhagya Vidhata,' which translates to 'My Bank Account – The Creator of Good Fortune' (Mohan, 2014). The scheme aims to ensure accessibility to various financial services such as basic saving bank accounts, need-based credit, remittance facility, insurance, micro-credit, and pension to the excluded sections, encompassing weaker and low-income groups. The primary goal of this national mission is to provide essential financial services to all households in the country. The focus was on those left behind in the country's mainstream development.

PMJDY is an integrated approach to ensuring that all households in the country have access to financial services. The concept envisions universal banking access, with every household having at least one basic banking account, financial literacy, access to credit, insurance, and a pension plan. In addition, the beneficiaries will receive a RuPay Debit card with an Rs. 1 lakh accident insurance cover built-in. The program also calls to direct all government benefits (from the Center, States, and Local Bodies) into beneficiaries' accounts and promote the Union Government's Direct Benefits Transfer (DBT) scheme. Financial transactions will also be conducted using mobile transactions through telecom carriers and their established cash-out points centres under the plan. The Jan Dhan account can be opened in any branch or Business correspondent outlet with zero balance and charges. However, if the account holders wish to have a cheque book, they must meet the minimum balance requirement.

V. DOCTRINE OF PMJDY SCHEME:

- **Banking the unbanked** – Having an account in a bank opens the gates to benefit from a modern financial system. The scheme aims to bring people within the ambit of the formal financial system. For this purpose, it offers the opening of a basic saving bank deposit account with zero balance and zero charges, a simplified procedure with minimal paperwork, relaxation with KYC, and e-KYC.
- **Securing the unsecured** – To secure people from uncertainties, it issues Indigenous Debit cards for cash withdrawals and payments along with free accident insurance coverage of Rs. 2 lakhs.
- **Funding the unfunded** – To provide funding opportunities to people, it offers various financial products such as micro-insurance, overdraft facility, micro-pension & micro-credit.

VI. MISSION MODE OBJECTIVES (6 PILLARS):

PMJDY scheme was carried out in mission mode to bring about every household within the ambit of the formal financial system and equip them with affordable financial products and services available for them. It comprised of the following six pillars:

- **Universal access to banking services:** To provide access to banking services to everyone, especially the unbanked areas, each district is divided into Sub Service Area (SSA) so that around 1000-1500 households will be covered within a radius of 5 Km. It was carried out by opening branches and with the help of a business correspondent (BC).
- **Basic savings bank accounts with overdraft facility:** Opening basic savings bank accounts was an essential requirement to cover all the excluded population. Apart from that, it offers an overdraft facility of Rs. 10,000 and a RuPay Debit card to every household.

- **Financial Literacy Program:** Financial inclusion is not possible without financial education. Various financial literacy programs were implemented to make people aware of the banking products and services. It aims to encourage saving habits, use of ATMs, banking products such as credit, insurance, and pension, and mobile phones for banking transactions.
- **Creation of Credit Guarantee Fund:** Credit Guarantee Fund is to be created to safeguard banks from the defaults in overdraft accounts.
- **Insurance:** Insurance up to Rs. 1,00,000 for Accident coverage and life insurance cover of Rs. 30,000 on the account is to be provided under the PMJDY scheme.
- **Pension scheme for Unorganized sector:** Swavalamban scheme has been launched to provide pension facilities to people working in the unorganized sector, i.e., self-employed workers.

VII. BENEFITS OF THE SCHEME :

- One basic savings bank account will be opened for the unbanked person, and interest will be offered on deposits made towards such accounts.
- The account holders do not require to maintain a minimum balance. However, if the account holders want to avail of cheque facilities, a minimum balance must be kept in such accounts.
- Individuals can avail of overdraft facility up to Rs. 10,000 if they maintain their account in an exemplary manner for six months.
- RuPay Debit card is offered to all the PMJDY account holders.
- Accidental Insurance Cover of Rs. 1 lakh (enhanced to Rs. 2 lakhs to new PMJDY accounts opened after 28.8.2018) is available for PMJDY account holders.
- Insurance and pension products are provided to such account holders.
- The PMJDY account holders are eligible for Direct Benefit Transfer (DBT), Pradhan Mantri Suraksha Bima Yojana (PMSBY), Atal Pension Yojana (APY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Micro Units Development & Refinance Agency Bank (MUDRA) scheme.

VIII. IMPORTANT APPROACH ADOPTED UNDER PMJDY SCHEME :

- Focus on households; Sub Service Area (SSA) for the coverage of the whole country.
- Both rural as well as urban people are covered.
- Fixed-point Bank Mitra (Business Correspondent) in each SSA comprising 1000-1500 households (on an average of 3 to 4 villages) to visit other villages in the SSA on fixed days.
- Simplified KYC / e-KYC is provided in cumbersome formalities as per RBI guidelines.
- Online accounts are opened in the Core Banking System (CBS) of the Bank in place of the traditional method of offline accounts.
- Opening of account is to be integrated with DBT, credit, insurance, and pension.
- Inter-operability of accounts is provided through RuPay Debit Card or Aadhaar enabled Payment System (AEPS).
- A dedicated Financial Literacy Cell is to be provided to the rural branches of banks.
- Grievance redressal at the SLBC level is provided in the respective States.

IX. EXTENSION OF PMJDY WITH NEW FEATURES :

The Government decided to extend the comprehensive PMJDY program beyond 28.8.2018 with some modifications, which are as follows:

- Shifting focus from 'Every Household' to 'Every Unbanked Adult.'
- RuPay Card Insurance coverage enhanced from Rs. 1 lakh to Rs. 2 lakhs for PMJDY account opened after 28.8.2018.
- Overdraft limit enhanced from Rs. 5000 to Rs. 10,000; Overdraft up to Rs. 2000 is provided without conditions.
- The upper age limit for Overdraft increased from 60 to 65 years.

X. CONCLUSION :

Financial inclusion is critical for the sustainable development of a country. As a developing country, India recognizes the significance of financial inclusion and strives to make its financial system more inclusive. Due to many promotional activities such as financial literacy and low-interest banking through microfinance institutions, business facilitators, and business correspondence, India has grown and evolved. However, complete financial inclusion is only possible when people would be willing to come forward and avail the products and services offered by the formal financial system rather than the informal sources such as usurious money lenders. PMJDY scheme has played a crucial role and emerged as a critical initiative in the financial inclusion campaign, which aims to connect every household in the country with the formal financial system, thus, making every unbanked banked. Though the scheme achieves the objective of universal banking, it is not only limited to just having an account in the bank but making other financial products and services accessible to the account holders such as credit, pension, insurance, and others. Therefore, the scheme has brought the country closer to complete financial inclusion.

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