

Pradhan Mantri Jan-Dhan Yojana: A Game Changer for Indian Economy

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Abstract

Financial inclusion is the delivery of financial services, at affordable costs, to sections of disadvantaged and low-income segments of society. Since Independence, Government and the RBI have launched many initiatives for financial inclusion. The present Indian government has packaged it in a mission mode and made it an achievable target. In order to reduce the degree of financial untouchability the new government has come up with a big bang action plan which is popularly known as Pradhan Mantri Jan- Jan Dhan Yojana. It is a mega financial inclusion plan with the objective of covering all households in the country with banking facilities along with inbuilt insurance coverage. In this study an attempt is made to study the growth of PMJDY in India.

Keywords: *financial inclusion, bank account, banking systems and PMJDY.*

Introduction

Pradhan Mantri Jan-Dhan Yojana (PMJDY) is to ensure and to access financial services, such as Banking Savings & Deposit Accounts, Remittance, Credit, Insurance and Pension in an affordable manner. It is a national Mission for Financial Inclusion Account can be opened in any either bank branch or Business Correspondent using Bank Mitr outlet. Accounts opened under PMJDY is being opened with Zero balance. 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 universal access to banking facilities with at least one basic banking account for every household, financial literacy, access to credit, insurance and pension facility. In addition, the beneficiaries would get RuPay Debit card having inbuilt accident insurance covers of Rs.1 lakh. The plan also envisages channelling

all Government benefits from Centre, State and Local Body to the beneficiary's accounts and pushing the Direct Benefits Transfer DBT scheme of the Union Government. Reserve Bank of India has further clarified that those persons who do not have any of the official valid documents can open Small Accounts with banks.

Financial Inclusion

The financial inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of the society in general groups such as weaker sections and low-income groups in particular, at an affordable cost in a fair and transparent manner by mainstream institutional players. Financial inclusion has been a buzzword for the policymakers and governments for a long time. Attempts have been made by the policymakers and financial institutions to bring large sections of the rural population within the banking system having realized that financial inclusion is the essence of sustainable economic growth and development in country like India. Inclusive growth becomes impossible without financial inclusion. Financial inclusion is also must for the economic development of the country. Without financial inclusion we cannot think of economic development because a large chunk of total population remains outside the growth process.

Objectives of the study

1. To know the Features of under the Pradhan Mantri Jan Dhan Yojana Scheme.
2. To study the Growth of Beneficiaries in Banks under the Pradhan Mantri Jan Dhan Yojana scheme.

Research methodology

This study mainly based on secondary data for analysing the growth and Development of Pradhan Mantri Jan Dhan Yojana in India based on Number of beneficiaries under the scheme in PMJDY. Data was collected from secondary data published in the financial books, specified journals, brochures, magazines, and PMJDY website.

Important Features of Pradhan Mantri Jan Dhan Yojana Scheme

1. Zero Balance Account

This account 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 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.

3. Overdraft/ Loan Benefits

The account holders under this scheme can avail an overdraft facility up to Rs.5,000. This is available against one account per household. The quantum of the loan may look small but definitely is a boon to those below the poverty line and would enable them to reinvest this in more profitable avenues.

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

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-Payment on the death of the beneficiary (subject to conditions). To get benefit of Accidental Insurance Cover, RuPay Debit Card.

6. Micro-Insurance under PMJDY

The scheme focuses on providing micro insurance to the people. Insurance Regulatory and Development Authority 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 Rs.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 Rs.1000 to maximum of 12000 p.a. Pradhan Mantri Jan-Dhan Yojana under the National Mission for Financial Inclusion was launched initially for a period of 4 years (in two phases) on 28th August 2014. It envisages universal access to banking facilities with at least one basic banking account for every household, financial literacy, access to credit, insurance and pension. PMJDY has provided a platform for the three social security schemes viz. Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), Atal Pension Yojana (APY) and Pradhan Mantri Mudra Yojana (PMMY).

To Analysis Growth of Beneficiaries under PMJDY Scheme

Table 1: Growth of Beneficiaries in Public Sector Banks

Years	No. of Beneficiaries in Rural area	Growth rate	No. of Beneficiaries in Urban area	Growth rate
2014	45119636	-	37971427	-
2015	86052376	90.72%	69321788	82.56%
2016	116090272	43.90%	92965073	34.10%
2017	133261941	14.76%	115240567	23.96%
2018	146229322	09.73%	124314618	07.87%

Source: Progress Reports of PMJDY 2014-2018.

The above table shows that the number of beneficiaries entered into PMJDY in the Public Sector Banks. As the scheme was started in the year 2014 the response among the public is very high. It was also in the increasing mode in the following years 2015, 2016 and 2017. Also inferred that people of rural and semi urban shows more interest to enter into the banking sector. Growth rate is very high in rural area 90.72% and in urban area 82.56% in the earlier years. Later Growth

rate is decreased to 9.73% in rural area and 07.87% in urban area. It is because most of the people opened the account under PMJDY with the public sector banks in earlier years itself. Only the left-over people opened their account slowly in the later period.

Table 2: Growth of Beneficiaries in Regional Rural Banks

Years	No. of Beneficiaries in Rural area	Growth rate	No. of Beneficiaries in Urban area	Growth rate
2014	15717860	-	2792011	-
2015	30585647	94.59%	5068648	81.54%
2016	38332809	25.32%	6100608	20.35%
2017	41908385	09.32%	7664902	25.64%
2018	46723565	10.30%	8810595	14.94%

Source: Progress Reports of PMJDY 2014-2018.

The above table shows that the number of beneficiaries entered into PMJDY in the regional Rural Banks. The rural people utilized the opportunity in the right way so, it was also in the increasing mode in the following years 2015, 2016 and 2017. Also inferred that people of rural and semi urban shows more interest to enter in to the banking sector. The rate of growth during earlier years were 94.59% for the rural and 81.54% for the urban. Later on Growth rate is slowly decreased to 9.32% in the rural area for the year 2017 and 14.94% for the urban area in the year of 2018. The beneficiaries mostly operating with one account in the nearby branch only. But there are minimum of beneficiaries entering into the scheme PMJDY every year. So, the growth is stabilized and will not rapidly increase like earlier years.

Table 3: Growth of Beneficiaries in Private Sector Banks

Years	No. of Beneficiaries in Rural area	Growth rate	No. of Beneficiaries in Urban area	Growth rate
2014	1511372	-	1370159	-
2015	4401890	191.25%	2954184	115.60%
2016	5186801	17.82%	3343895	13.19%
2017	5986433	15.41%	3889034	16.30%
2018	6213441	03.79%	4276786	999.70%

Source: Progress Reports of PMJDY 2014-2018.

The above table shows that the member of beneficiaries entered into PMJDY in the Private Sector Banks. Also inferred that people of rural and semi urban slows more interest to enter into the banking sector. Growth rate high for the rural is 191.25% in the earlier years 2014 and for the urban is 999.70% in the year 2018. Later on Growth rate is decreased to 03.79% in the rural

area for the year 2018 and 13.19% for the urban area in the year of 2016. It is because most of the people opened the account under PMJDY with the banks in earlier years itself. The beneficiaries also show more interest in opening account for PMJDY in the private sector banks.

Table 4: Over all Growth of Public Sector Banks/ Regional Rural Banks/Private Sector Banks

Year	Public Sector Banks Beneficiaries	Growth rate	Regional Rural Banks Beneficiaries	Growth rate	Private Sector Banks Beneficiaries	Growth rate
2014	83091063	-	18509871	-	2881535	-
2015	155374164	86.99%	35654295	92.62%	7356074	155.28%
2016	209055345	34.54%	44433417	24.62%	8530696	15.96%
2017	248502508	18.86%	49573287	11.56%	9875467	15.76%
2018	270543940	08.86%	55534160	12.02%	10490227	06.22%

Source: Progress Reports of PMJDY 2014 – 2018.

The above table shows that the financial Inclusion under the scheme of PMJDY. It shows that public sector banks, regional rural banks and private sector banks performed better in growth rate is very high 86.99%, 92.62% and 155.28% in the earlier years in Public Sector Banks, regional Rural Banks and Private Sector Banks respectively. Later growth rate is decreased to 8.86%, 12.02 and 6.22%. As discussed earlier, most of the people opened the PMJDY account in the earlier period, this is reasons for decreased rate. The new account holders will be minimum in the coming years. The new account holders are either left over people of earlier years or the youngsters those who completing age of 18 years will open the account, the banks have to take necessary measure to bring all the left-over people into this fold. In general public are showing more interest to open account with public sector banks under PMJDY as compared to private sector banks and regional rural banks.

Conclusion and the Way Forward

The study done for the Jan Dhan Scheme has resulted in following conclusions:

❖ PMJDY- Myths and facts

Like any great plans with PMJDY Scheme also there as various myths associated. There are various concerns raised under the scheme, like:

- **Multiplicity of Accounts:** Bound to the association of various public funding schemes and in keeping with the many inheritance benefits accruable to the accounts opened under Jan Dhan, there has been a fiasco of opening new account under Jan Dhan, even by those

who are already having accounts. No doubt, at some of the places this event have indeed happened but through the awareness of Banks, they can be prevented. The applicant should be told that the desired facilities can even be availed in the present accounts through RuPay cards. Thus a person will avoid signing up for multiple cards.

- **Plurality of Dormant Accounts:** Past experiences of financial inclusion have shown the opening of a large number of dormant accounts. But, this scheme has been designed in a way which may lead to lower number of dormant accounts. For accidental insurance coverage, there should be atleast one transaction in last 45 days from the date on loss and for overdraft facility there should be successful operation in the account for 6 months. Additionally DBT/DBTL plan, to transfer subsidy directly to the account. The above measures may ensure adequate operations in the accounts.

❖ Opportunities for banks

Financial inclusion project has done a long journey from obligation to opportunity. Initially looked at as a social responsibility, the project has made banking of class to banking for mass. This shift in paradigm is clearly visible through the shift of banking industry to gain low cost deposit and secure advances under PMJDY. Opening accounts under PMJDY becomes a business opportunity for banks in following forms:

- **Low cost deposit:** Bank is paying 4 per cent interest on the saving accounts including those opened under financial inclusion. In comparison to the average cost of funds which is 6.9 per cent, this fund is even cheaper for the bank. Further, these accounts are being served mainly through business correspondents, which reduce the transaction cost of such account. Thus the operational cost is even lesser on the financial inclusion accounts. These account holders are prone to use alternate delivery channel from day 1 which reduce footfall in the branch and increases operational viability.
- **Stickiness:** One of the measure attributes of the financial inclusion account is the nature of stickiness. As account holders are no voice account holders and the service area are distributed amongst the banks on exclusive bases; there is fair opportunity of monopolistic business. Further, the bank will also be able to maintain a long-term relationship with such customers.

- **Cross selling of products:** Another business opportunity attached with the financial inclusion customers is the presence of a huge untapped market. There is a demand-side pull due to PMJDY scheme, as the customers will be entitled for following benefits through his/her account.
- a. Life insurance / micro insurance
 - b. Social security pension
 - c. DBT for various government schemes, including monthly remittance for LPG / Kerosene subsidy.
 - d. Overdraft: Small overdraft upto Rs. 5000/- is to be given on 12 per cent rate of interest. This advance is secured through credit guarantee fund, and the limit will be sanctioned after satisfactory operations of 6 months in the account.
- **Operational accounts:** One of the major changes brought in to the financial inclusion project is issuance of RuPay card where in Rs. 1,00,000/- accidental insurance is inbuilt. While this additional benefit creates demand for the account, it further ensures balance as well as regular transactions in the account (In order to be entitled for accidental insurance, there should be atleast one transaction in last 45 days of the accident). These features will not only bring in stable funds in the account but also drastically reduce the non-operational accounts, which were a prime concern over the years.

Thus, PMJDY is a major project for entire banking industries, by providing an opportunity to expand the customer's base of the bank, acquire first time customers for longer relationship and increase profit with lower operational cost by bringing about a perfect mix of risk and business expansion.

❖ **Contribution of PMJDY to Indian economy**

The major contributions of financial inclusion initiatives towards Indian economy are:

- Regulation of unbanked and under banked sectors of the country.
- Reduction in unorganized financial sectors like money lenders.
- Help in reduction of poverty.
- Generates employment opportunity.
- Tapping leakage of government fund by removing ghost beneficiaries.

Financial inclusion has broken the barrier between a plethora of financial services offered by organized financial institutions at the bottom of the pyramid. Concept of inclusive growth is no longer just policy choices, but are policy imperatives, which would determine the long-term financial stability and sustainability of the economic and social order, going forward.

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