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Pradhan Mantri Jan Dhan Yojana (PMJDY) towards Financial Inclusion

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Abstract

Even after 71 years of independence, around 19 percent people in India are financially excluded (Standard, 2017). Financial exclusion is not confined only to rural population but even urban population especially migrant workers in informal sector and urban poor also lack basic financial services like saving, credit and insurance facilities. Since it is predominantly concentrated among low-income groups it has strong linkages with poverty. Financial inclusion, thus, is important for achieving inclusive growth, which is the crux of the 12th Five Year plan. Without financial inclusion, we cannot think of achieving development goals because large chunk of population remains outside the growth process. In this backdrop, present paper is an attempt to analyze performance of PMJDY, (which was the prime minister's ambitious plan of financial inclusion for all by 2018) towards financial inclusion.

Key words: Financial Inclusion, PMJDY, Performance.

Introduction: India, a country with massive poverty and potentiality. Its development since independence are mostly gone one-sided and wealth and powers condensed to limited numbers of people called 'Elite-Class'. It is not so, that, this problem had not been realized and recognized, rather effort were made to avoid or to minimized the same from Indian freedom movement. While steps towards financial inclusion is concerned, i.e. a process of including poor and deprived to the formal financial sector, the nationalization of commercial banks in 1969 under the leadership of the then prime minister Indira Gandhi was a major steps and efforts were on from time to time to fights against the problems with financial exclusion.

On 28th August, 2014, PMJDY (Pradhan Mantri Jan Dhan Yojana) has been launched by our Prime Minister Narendra Modi to cover-up the poor and deprived of our society towards

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financial inclusion. The programme has been launched in two phases i.e. Phase-I and Phase-II.

In **Phase-I (from 15th Aug 2014 -14th Aug 2015)** the following issues were proposed:

1. Universal access to banking facilities for all household across the country.
2. Providing Basic Banking Accounts with RuPay Debit Card having inbuilt accident insurance cover of Rs. 1 lakh and also provide overdraft facility upto Rs. 5000/-.
3. Financial Literacy Programme with aims to take financial literacy upto villege level.
4. Transfers all benefit of Government schemes to the beneficiaries Account directly.
5. Proposed to convert Kisan Credit Card (KCC) to RuPay Kisan Card.

And in **Phase-II (from 15th Aug 2015 -14th Aug 2018)** the following issues were proposed:

1. Providing micro-insurance to the people.
2. Offering 'Pension Schemes' like *Swavalamban* through the Business Correspondents to unorganized sector.

The issues under the scheme are comprehensive one as it is not only confined to mere opening of an account in a bank, but also availing the need based facilities to strengthen poor people financially and socially under the umbrella of PMJDY.

Review of Literature: According to the Committee on Financial Inclusion (Chairman: C. Rangarajan), 2008, "Financial inclusion defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost".

Again, Dr. K. C. Chakraborty, Deputy Governor, RBI, defines Financial Inclusion as the "process of ensuring access to appropriate financial products and services needed by vulnerable groups at an affordable cost in a fair and transparent manner by mainstream institutional players" (Chakraborty).

The essence of financial inclusion is trying to ensure that a range of appropriate financial services is available to every individual and enabling them to understand and access those services. Apart from the regular form of financial intermediation, it may include a basic no-frills banking account for making and receiving payments, a savings product suited to the pattern of cash flows of a poor household, money transfer facilities, small loans and overdrafts for productive, personal and other purposes, insurance (life and non-life) etc. (Feroze & Chauhan, 2011).

(Rai, 2015), in his study opine that PMJDY could be an effective means for financial inclusion because of its multifarious nature which provides zero-balance bank accounts with linked insurance coverage, RuPay debit card and over draft facility etc. to those who are outside the formal banking system will certainly benefit the poor and vulnerable sections of the society and has positive impact on savings, household consumption, employment, poverty and overall wellbeing of the poor. This positive shift from quantity of inclusion to the quality of inclusion could be achieved only when certain impediments are addressed like

poor banking infrastructure (in terms of bank branches, BCs and ATMs) and effective monitoring & implementation.

(Joshi, Singh, & Jain, 2015), have expressed in their study, that, Opening of accounts are not only the solution of financial inclusion but also provide the financial security like insurance, pension and others and PMJDY is a key drive to go ahead for the economic development of the country. So, the main focus of financial inclusion through this plan is to promote sustainable development and generating employability for a vast majority of the population especially in the rural areas.

(Yonzon & Oveis, 2016), in their study found that, the widely acknowledged & successful launch of this PMJDY scheme also strengthens the saving habit of the people. The scheme has succeeded in opening the accounts and the strategies should be followed to make it a success in order to keep these accounts active.

(Pramahender & Singh, 2016) in a study on role of PMJDY in financial Inclusion mentioned that, the PMJDY is playing its role in great manner by ensuring mass participation of people and providing them low cost financial services and banking facilities, still there is need to impart financial knowledge and awareness among people about benefits of banks and basic banking facilities. They again said, Banks have to open more branches that are in rural areas and banking outlets in remote areas along with ATM and innovative and well-designed products, which can cater the needs of poor and needed people is equally important, PMJDY have to make efforts to achieve its targets by opening new accounts and ensuring less and less financial exclusion on continue basis.

Objective and Methodology of the Study:

Objective: The present study is an attempt to show the performance of PMJDY towards financial inclusion in India.

Sources of Data: The study is mainly analytical in nature (i.e. facts findings) and based on secondary data and information which is collected from authentic sources as per requirement of this paper. The relevant books, documents of various ministries/departments and organizations, articles, papers and web-sites are used in this study.

The scope and limitations of the study are:

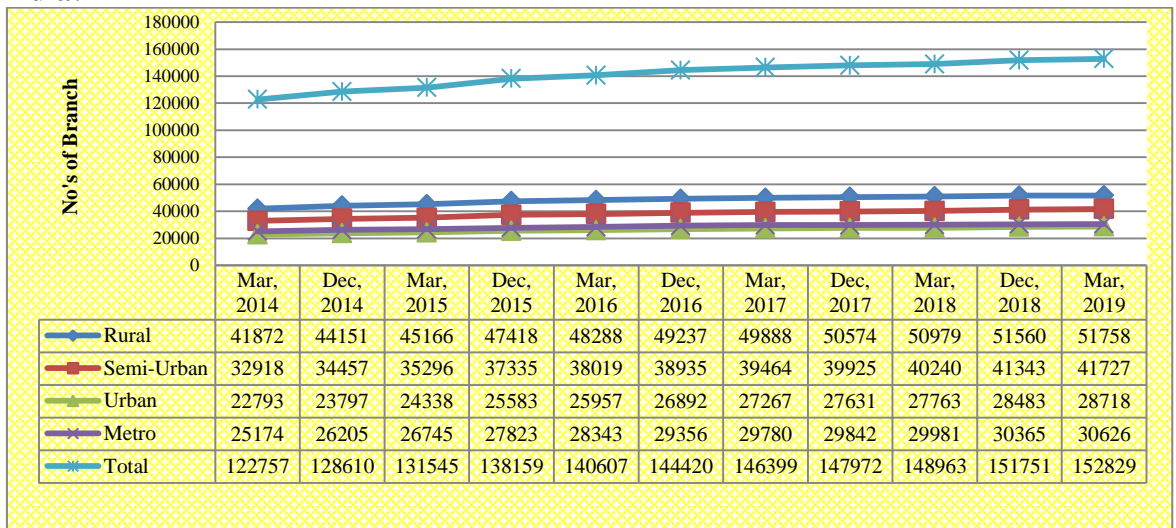
- ❖ The study is based on secondary data which is collected from various sources like books, magazines, seminar papers, journals, websites, etc.
- ❖ Resource/data constraints (inadvertently) are also a limitation for the study.

Performance of PMJDY towards Financial Inclusion: PMJDY is one of the revolutionary schemes towards financial inclusion up till now, and it has been made some record performance in the banking history towards financial inclusion. The beauty of the scheme lies that it has been able to cover the needy and mostly those who had not have any access to bank, bank account, etc. for the first time a scheme which have been able to cover the poorest of the poor family in the banking network. Phase-I of the PMJDY adopted five

important goals to achieve in one year period. So their performance and achievement towards the goal have been highlighted here accordingly.

Performance towards Universal Access to the Banking Facilities: Access to Bank to take banking facilities was the biggest challenge for the poor people and they were remain deprive of the modern banking services and the services were drain to a section of people including conscious middle and upper class. But, under PMJDY the primary focus of the scheme was to include and extend access to the banking facilities to the all. And in short span of time it has made commendable progress towards universal accessibility to banking facilities. Universal accessibility can simply be understand as easy access, available and affordable baking services for the people and for that expansion of banks network via new branches is the major indicator for its performance.

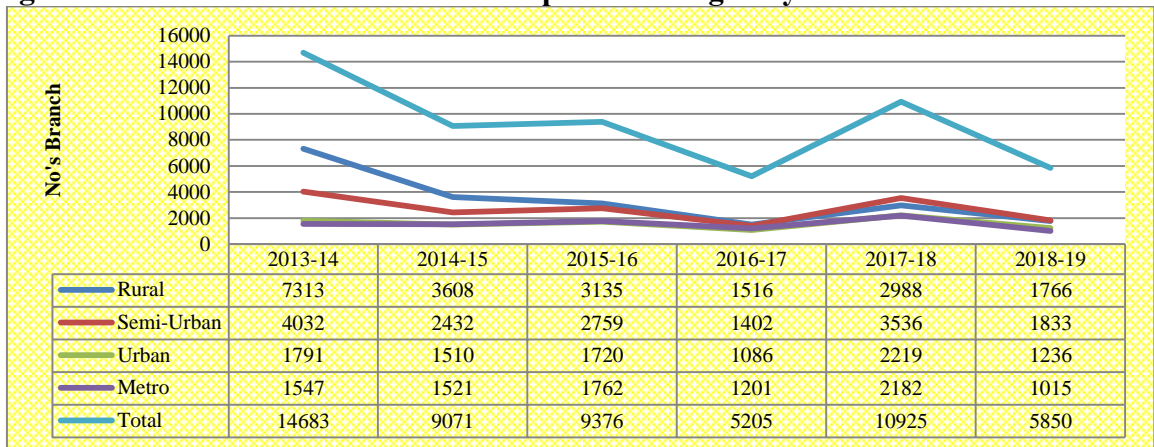
Figure-1: Total Bank Branches in Rural, Semi-urban, Urban and Metro areas in India:



Source: dbie.rbi.org.in

Expansion of Bank branches are in increasing trend as depicted by figure-1, it record a total positive growth rate of 23.61 percent in Rural, 26.76 percent in Semi-urban, 25.99 percent in Urban, 21.66 percent in Metro and 24.50 percent in total during the period, thus signifies considerable growth and development. Further, new bank branches opened during the period shows fluctuating growth trends as depicted in figure-2.

Figure-2: No's of New Bank Branches Opened during the years:

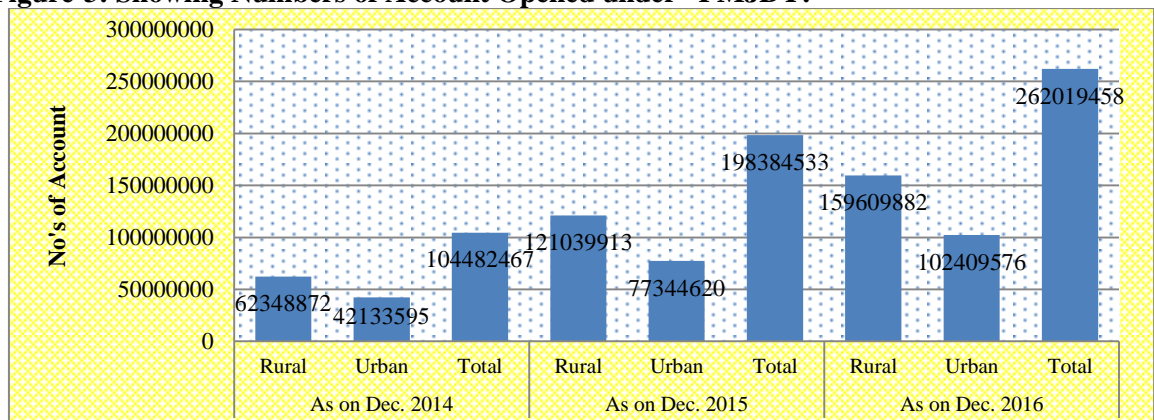


Source: dbie.rbi.org.in

These increasing growth rates of expansion of Bank branches indicate availability of more committed services for the unbanked people in the rural, semi-urban, urban and metro areas to bring them under the bank-net and to build banking habit among them and PMJDY is performing well in this regard.

Performance towards opening of Basic Bank Account with RuPay Debit Card: One of the major goals in Phase-I of PMJDY was to open Basic Bank Account with Zero Balance of the poor and deprived people to bring them under banking network or what is called financial inclusion, and the scheme has made a world record in this respect by opening 36.14 core Basic Bank Account with an deposit of Rs 100,865.56 core as on 10th July, 2019 (<https://pmjdy.gov.in/>), from those who even cannot dreamed for a bank account. Further, to provide modern banking facilities along with financial security 28.50 core RuPay Debit Card has also been issued to 36.14 core account holder and the card is having an inbuilt accident insurance cover of Rs. 1 lac. and overdraft facilities of Rs. 50000/-. The performance regarding this has been detailed as follows:

Figure-3: Showing Numbers of Account Opened under PMJDY:



Source: dbie.rbi.org.in

The milestone performance of PMJDY is towards opening of Bank Account, which able to achieve many records, as huge numbers of accounts were opened within a sort-span of time, covering mostly poor people who did not have Bank account of their own. If we consider the total growth of bank account it was just 104,482,467 upto Dec., 2014, which reached to 262,019,458 by Dec. 2016, thus registered a total growth of 150.78 percent from Dec. 2014 to Dec. 2016, as depicts in figure-3, in opening of Bank Account in rural and urban areas of the country and recognized a highly performed scheme in the Indian banking history.

Performance towards Awareness Campaign for Financial Literacy: The govt. is very determine as such the goal PMJDY programme was not only confined to open accounts rather the provision has been made to educated the financially deprived people to understand about the importance of modern banking services and how the services are useful and becoming part and parcel in the days to come. Thus many awareness programme and campaign have been conducted soon after lunched the PMJDY, as a result such huge number of bank account have been opened as mention earlier. Apart from this RBI is also making its effort to bring awareness for financial literature among the deprived people both in rural and urban areas with many innovative approaches from time to time like a block level Centre of Financial Literacy (CFL) project was initiated in 2017 by the Reserve Bank across 80 blocks in 9 states. The project is currently being implemented by 6 NGOs in collaboration with 10 sponsor banks. Further, as at the end of March 2018, 1,395 Financial Literacy Centres (FLCs) were operational in the country and 1,29,280 financial literacy related activities were conducted by the FLCs as against 96,315 activities during the preceding year (Credit Delivery and Financial Inclusion).

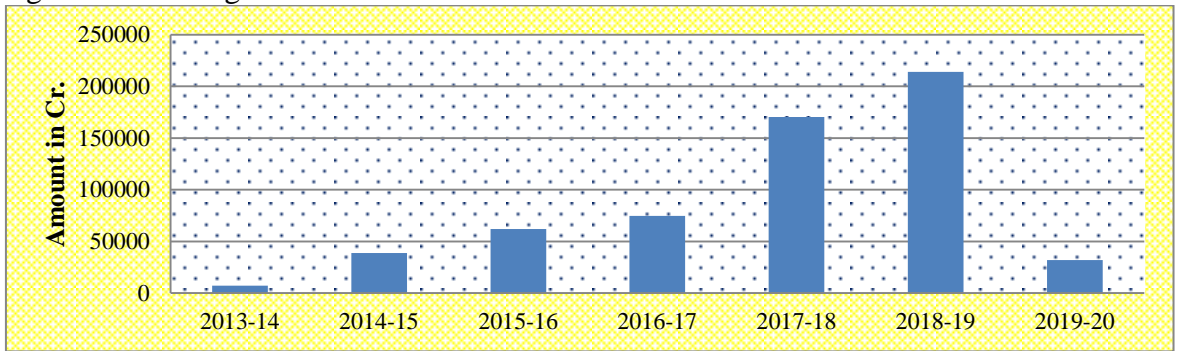
Performance under DBTS: To minimize the corruption and other malpractices regarding providing benefit to the actual beneficiaries the DBTS system have also been initiated in Phase-I of PMDJY. Accordingly some schemes have already been covered under this scheme like PEHEL for LPG subsidies, scholarship for students, job card, etc. a record of performance in this respect have been summarized as follows:

Table:-1. Showing Performance towards DBTS (in cash)

Facilities set under DBTS	2013-14		2014-15		2015-16		2016-17		2017-18		2018-19		2019-20	
	No's /Rs.	Gr %	No's /Rs.	Gr %	No's /Rs.	Gr %	No's /Rs.	Gr%	No's /Rs.	Gr %	No's /Rs.	Gr %	No's /Rs.	Gr %
Total Scheme	28	--	34	21.43	59	73.53	142	140.7	361	154.2	369	2.22	370	0.27
Others (In Cr.)	1066.59	--	3482.26	226.51	1175.95	-99.57	3231.36	174.79	26455.82	718.72	68744.76	159.85	11077.03	-83.89
P MAYG (In Cr.)	00	--	00	00	00	00	00	00	65237.49	65237.49	45395.99	30.41	3449.59	-92.40
Scholarship scheme	00	--	00	00	5119.04	5119.04	12859.6	151.21	11660.52	9.32	10813.58	-7.26	434.16	-95.99
NSAP	906.2	--	6049.38	567.55	8364.66	38.27	5409.99	-35.32	9684.66	79.01	8351.11	-13.77	530.93	-93.64
MENREGS	00	--	20010.09	20010.09	25861.76	29.24	37311.92	30.69	33751.31	-9.54	46181.8	36.83	13896.82	-69.91
PAHAL	5394.9	--	9384.41	73.95	21421.0	128.26	15876.54	-25.88	23502.35	48.03	34604.72	47.24	26596.3	-92.31
Total (In Cr.)	7367.7	--	38926.2	428.34	61942.4	59.13	74689.4	20.58	170292.2	221.72	214092.0	25.72	32048.20	-85

Source: dbt Bharat.gov.in, Gr % is the Growth percentage.

Figure-4: Showing the trend of Total DBT in cash



Source: Table-1. (Figure of 2019-20 is not for the whole year).

From the above table and diagram the trend of DBTs is clear and its moving towards upward direction and that signify huge amount that have reached to the beneficiaries through DBT facility from 2013-14 to till date. So, a much section of people who were outside of banking network earlier now been covered by DBT system and they are financially included, which would have not been possible otherwise.

Conclusion: The facts and figures as analyzed above reveal a clear picture about the huge financial inclusion under the PMJDY in India from its introduction covering mostly the poor and ignorant section of people of our society. The scheme towards financial inclusion have found as comprehensive one as it is not only confined to opening of accounts in banks rather providing those facilities which are very important to sustain them financially and remains to be the part of Indian formal financial sector. Offering such diverse financial products as hassle free loans, in-build overdraft facility, Insurance, Rupay Debit card, Micro-insurance, Pension etc. facilities are enough to cover a beneficiary to make him/her financial stable and strong. Though some efforts were made towards financial inclusion earlier as well, but with a narrow concept, as such most of them were confined to mere opening of accounts in banks and post offices and ultimate objects of financial inclusion never materlised. But PMJDY have been introduced with a broader concept, avoiding the loopholes of earlier schemes to provide better facilities to the targeted people to make them financially included, economically developed and sustained to meet the ultimate goal of financial inclusion, and the scheme has already make a positive move towards excellence.

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