

Beyond Vision 2020

Pradhan Mantri Jan Dhan Yojana: A Revolutionary Seven Years Journey towards Financial Inclusion (Pre and Post Covid Scenario)

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Abstract

In India, there are poor individuals and households who do not even know about various banking and financial services and in case they have knowledge about it, they cannot have access to it or they cannot afford it. That's why Government of India (GoI) has initiated several schemes under Financial Inclusion to provide all these services to every households and individuals at cheaper cost or free of cost as well. Financial Inclusion is a method of providing basic banking and financial services to every individual, to the poorest of the poor of the society without judging or discriminating anyone on any grounds. Pradhan Mantri Jan Dhan Yojana (PMJDY) is one such scheme of Financial Inclusion which can help to increase banking penetration, provide at least a basic saving bank account with no minimum balance requirement, promote financial inclusion and eventually contribute to the economic development of the country. Primarily, the scheme aims to cover every household under Financial Inclusion, but now it has targeted every adult individual. Every Individual should be provided with core banking facilities and other mobile services under this scheme. Recently, this scheme has successfully completed 7 years and this paper has analyzed these 7 years journey to see its impact on several grounds. This paper talks about the transformational changes that have been brought up by the scheme. To analyze the objectives of the paper, data has been collected from various secondary sources which are authentic and reliable. The paper also includes the achievements of the scheme and has given suggestions for further improvement of the scheme.

Keywords: Financial Inclusion, PMJDY, Financial literacy, Economic Development, Financial awareness.

Introduction

From the very beginning Government of India has been introducing several schemes and transferring funds in the benefits of the underprivileged sections of the society, but due to the loopholes of the system and administration, these poor people are deprived of these benefits. In this case, PMJDY is a great initiative to cure these kinds of loopholes in the system because this scheme is a pipeline which offers Direct Benefit Transfer (DBT). Financial Inclusion wants everybody in the society to be served and participate in the financial management in the fair way but poor section of the society does not have access to the basic financial services because they may not meet the minimum eligibility criteria laid by banks and hence they are not able to take bank's services. Banks have requirements such as minimum income, age criteria, minimum credit score and minimum years of work experience etc. A bank may provide loan only to those people

who fulfills all these basic criteria to take loan. But many of the poor people are unemployed, illiterate and does not understand these requirements. These people also do not have proper documents for verification. They do not understand the importance of these documents. Financial Inclusion aims to eliminate these barriers and provide economically priced financial services to these poor people of the society so as to ensure that they can be financially independent and not be depending on the means of charity which is not a sustainable medium.

To be financially inclusive is the right of every individual which is the basis for the development of the country and to make this possible; Government took action on the National Mission for Financial Inclusion (NMFI) which is called as Pradhan Mantri Jan Dhan Yojana. Government started this scheme in August 2014 to provide access to universal banking services for every unbanked household, based on the guiding principles of banking the unbanked, securing the unsecured, funding the unfunded and serving the unserved and underserved areas. A digital pipeline has been laid for the implementation of PMJDY through linking of Jan-Dhan Account with Mobile and Aadhaar (Jan Dhan – Aadhaar – Mobile [JAM]).

Objectives of the schemes

1. To Provide access to financial products and services at economic prices
2. Using technology to lower down the cost and widening the reach

Basic Tenets of the scheme:

1. Banking the unbanked
2. Securing the unsecured
3. Funding the unfunded
4. Serving the unserved or underserved

Basic Information about the scheme:

- The scheme provide a Basic Savings Bank Deposit (BSBD) account with less paperwork, minimum KYC norms and there is a biggest advantage of opening account at Zero balance
- This scheme provide a basic savings bank account which provides a overdraft facility of Rs. 10,000
- The accountholders are issued a RuPay Debit Card which is India's own debit card
- With account you also get facility of free mobile banking
- The scheme provide a RuPay Card Insurance which provides a free accidental insurance cover of Rs. 2,00,000 for accounts opened after 28.08.2018
- It also provides a life cover of Rs. 30,000
- The scheme also provides Pension scheme for the unorganized sectors
- There is also an app called Jan Dhan Darshak app which provides information about your nearest bank branches, Bank Mitras (Business Correspondents), ATMs, Post offices, etc. This app can also be used to find villages which does not have banking touchpoints within 5 km.

Objectives of the Study

1. To know about the PMJDY scheme and its current status
2. To know about its impact on Financial system
3. To discuss about the 7 years achievements of the scheme
4. To suggest ways for further improvement in the scheme

Review of Literature

1. Chowhan S., “Pradhan Mantri Jan Dhan Yojana: A Giant Leap towards Financial Inclusion” (Dec. 2014) In this paper the author has discussed about the importance of Financial Inclusion and the impact of Pradhan Mantri Jan Dhan Yojana over the stakeholders in our country. The paper discussed that Financial Inclusion broadens the resource base of the financial system by developing a culture of savings among large segment of rural population and plays its own role in the process of economic development. It also mitigates the exploitation of vulnerable sections by the usurious money lenders by facilitating easy access to formal credit. To mitigate such sufferings, the PMJDY lies at the core of Govt. of India development philosophy of Sab Ka Saath Sbka Vikas. The widely acknowledged and successful launch of the scheme will surely contribute to the economic development of the nation.
2. Garg P., Verma Y., “Pradhan Mantri Jan Dhan Yojana (PMJDY): A Step towards Eradicating Financial Untouchability” (Jan 2016) This paper is an attempt to study the effectiveness of PMJDY by analyzing the effectiveness of the financial literacy program and awareness towards PMJDY. This study was carried out among workers in working in Central University of Rajasthan and villagers of Bandrasindri village in Ajmer district of Rajasthan. The paper analyses that Financial Untouchability is a phenomenon that results from certain situations that prevents people to access formal financial systems. In the absence of formal financial system, people are forced to go to local money lenders who charge exorbitant interest rated from poor people. The only solution to fight with the evil of financial untouchability is promotion of financial inclusion, which may be 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. The findings of study showed that still, there is long path which needs to be covered to eradicate financial untouchability in real sense from our country.
3. Kumar D., “Financial Inclusion Using Pradhan Mantri Jan Dhan Yojana” (Dec. 2014) This paper gives an overview of the PMJDY scheme. It says an estimated 2.5 billion working age adults globally have no access to the types of formal financial services delivered by regulated financial institutions. One of the greatest steps ever taken to eradicate poverty is financial inclusion through PMJDY. The findings of the study say that ATMs network in rural India is less hence the people are less aware of using ATMs. Government can easily encourage people to open new accounts but the biggest challenge is increasing the transactions in those accounts. There is no check on the new account. For the success of any scheme constant review and regular check is very much important. Successful implementation would not only reduce poverty but also puts check on corruption.
4. Joshi V K, Singh R., Jain S., “Financial Inclusion for Sustainable Development through Pradhan Mantri Jan Dhan Yojana” The paper implies to study the need of financial inclusions in India with special reference to PMJDY for the sustainable growth of economy.

Financial Inclusion is significant for the sustainable growth of the country. India as a developing country recognizes the strength of this financial inclusion by developing the financial system more inclusive. India has strengthened and progressed through various promotional programs like financial awareness and by low interest rate banking through micro finance institutions, business facilitators and business correspondents. Opening of accounts not only offer the solution of financial inclusion but also provide the financial security like insurance, pension and others. Pradhan Mantri Jan Dhan Yojana is key driver 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.

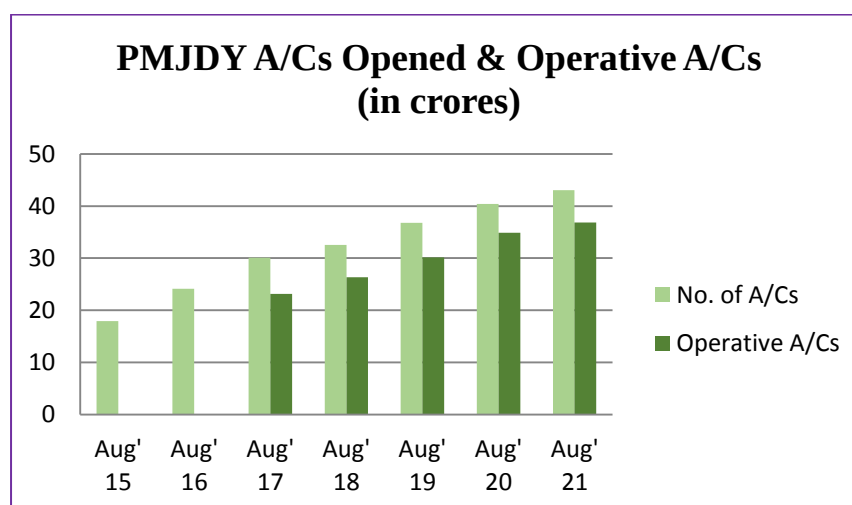
Research Methodology

The present paper is based on Secondary data and it is descriptive in nature. To analyze the objectives of the study and in order to analyze the current status of the PMJDY scheme, the data has been collected from various secondary sources like sites and published work of Government of India on various platforms, blogs, posts, brochures, PIB (Press Information Bureau) research works, e-newspapers etc.

Data Analysis & Interpretation

Current status of the Scheme:

A. Number of Accounts opened in the scheme and Number of Operative Accounts till August 2021

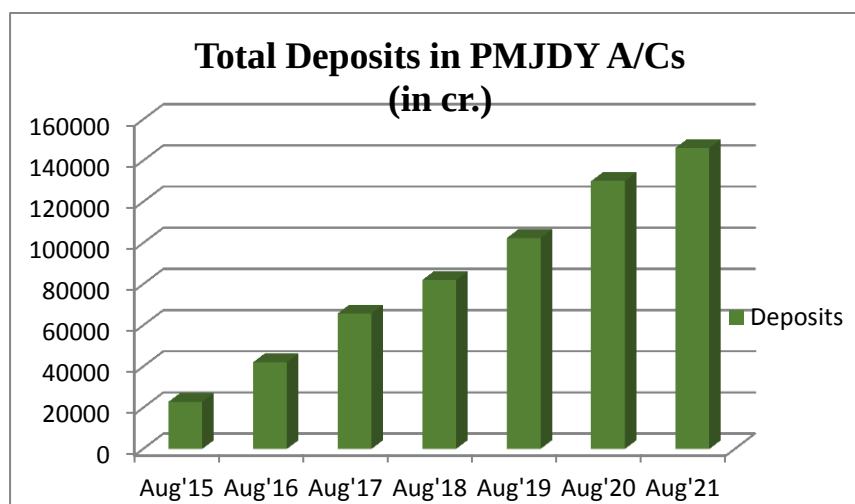


Source: Ministry of Finance

Interpretation: As per the data provided by the Finance Ministry and compiled by PIB's reports, a total number of 43.04 crores accounts have been opened till August 2021 out of which, 55.47% i.e. 23.37 crores account holders are women, which shows that there is a significant role of women in the scheme and 66.9% i.e. 28.70 crores account holders are from rural and semi-urban areas. All these figures are an exceptional number in itself. From this data we can interpret how far the scheme has come, what a successful 7 years journey it has been from its inception 2015 to 2021, from 14.72 cr. in 2015 to 43.04 cr. in 2021. Continuous increase in number of accounts can be seen. The Accounts have increased Three-folds in these 7 years.

Out of these 43.04 cr. accounts, the total number of accounts which are in operative in state are 36.86 cr. which is approximately 85.6% of the total accounts, only 8.2% accounts are zero balance accounts which are not operative. The numbers of operative accounts are also increasing continuously as we can see on the graph which means that people are using these accounts on regular basis which is a very good indication.

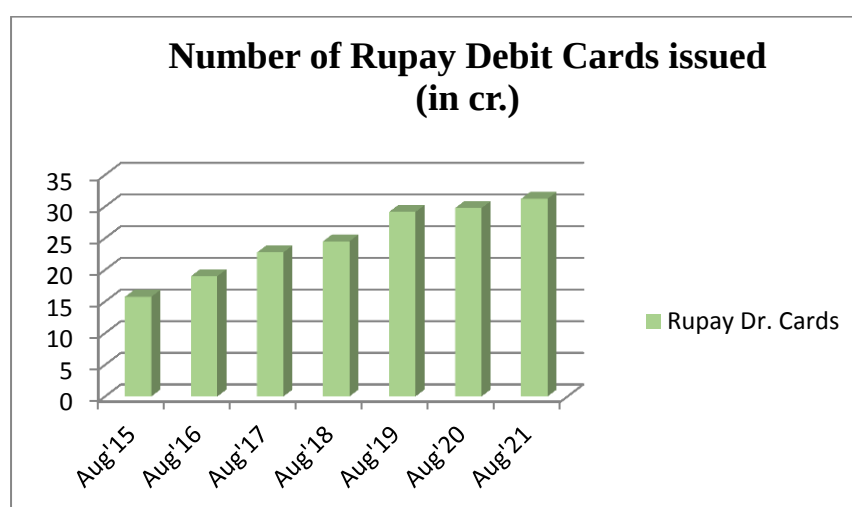
B. Total Deposits in the Accounts till August 2021



Source: Ministry of Finance

Interpretation: As per the data provided by the Finance Ministry and compiled by PIB's reports, the total deposit balance amount under PMJDY accounts stands at approximately Rs. 1,50,000 cr. which is a commendable amount in itself which can be used for upliftment of poor people and for their welfare by the government. Deposits have increased from 22,901 cr. in 2015 to 1,46,830 till 2021, an increase of 6.38 times can be seen from the data.

C. Number of Rupay Debit Cards issued till August 2021



Source: Ministry of Finance

Interpretation: As per the data provided by the Finance Ministry and compiled by PIB's reports, the total number of 31.23 cr. RuPay Cards has been issued to accountholders till August 2021. The number of RuPay Cards has also been increased over time from 15.74 cr. in 2015 to 31.23 cr. in 2021 which almost double of the previous number. The increasing number of Debit Cards also giving rise to the number of ATM users in the country and that's why the demand of ATM is also increasing in the country.

Impact of Pradhan Mantri Jan Dhan Yojana on several factors:

1. Impact on ATM Industry - Due to increasing PMJDY Accounts and Government's Direct Benefit Transfers (DBT), the usage of ATMs is also increasing in rural areas, which is giving rise to the demand of number of ATMs. The increased trend of White Label Operators' ATMs, which are only used in rural and remote areas of the country. The usage of White Label Operators ATMs has increased from 2% in 2014 to 15% of total transactions in 2021. Over these seven years, the reason behind this increase in number of ATMs is the increase in number of Debit Cards, which has doubled to 89 crores as of August 2021. Out of these total cards, 40% i.e. 35 crores are RuPay Cards which are issued by Jan Dhan accounts.
2. Impact on Women Empowerment during Covid -19 Pandemic - a total number of 43.04 crores accounts have been opened till August 2021 out of which, 55.47% i.e. 23.37 crores account holders are women, which shows that there is a significant role of women in the scheme. A large number of women belonging from the low income group have opened their accounts especially during pandemic period after the Government took decision of transferring Rs. 500 per month for 3 months. This step of the Gov. has empowered women by transferring this amount which was utmost needed at the time of pandemic.
3. Impact on Financial system – PMJDY scheme prevents leakages by providing a facility of Direct Benefit Transfers (DBT) and ensures that every rupee to reach only those people whom these transfers are intended to. This scheme provides a path to the poor people to bring their savings to the formal financial system.
4. Impact during pandemic period – Under Prime Minister Garib Kalyan Yojana, a total of Rs. 30,945 crores has been transferred to the women Jan Dhan accountholders. According to the announcement made by the Finance Minister Smt. Nirmala Sitharaman, an amount of Rs. 500 per month has been credited to the women accounts for 3 months from April 2020 to June 2020.

Findings of the Study

- Approximately more than half of the population across the country have knowledge about the scheme and approx. 44 crores accounts are being opened till August 2021
- The scheme is also an initiative towards women empowerment because there are more women accountholders as compared to men.
- Previously, the scheme aims at covering every household but now it has extended to cover every adult individual.
- Financial literacy is still a major hindrance in the path of eradicating poverty and making everyone financially inclusive.
- Connectivity in the remote areas is the biggest issue for the people being unaware of the various schemes and benefits provided by the government.

Suggestions for further improvement

1. Government should focus on educating and making the masses aware of the scheme before executing the scheme, so that execution can be made in an easy and proper manner and people can take major advantage out of it.
2. Financial Literacy is an issue which Gov. needs to focus on. People are still not aware of various financial services and schemes provided by the Gov., especially those who belongs to the remote areas of the country.
3. It is an urge of the hour to educate people about Digital Financial Literacy. They want to make Online Transactions but they do not know how to make it. So more Digital Literacy Programmes need to be organized by the Gov. to establish a cashless mechanism in India.
4. More schemes like PMJDY should be introduced to empower the poor sections of the society.
5. It is also very important to make people realize the importance of Insurance. People have a different mindset regarding Insurance due to which Insurance sector is suffering in India. India has approx. 3.76% penetration only in Insurance sector, out of which 90% is life insurance and approx. 1% is other insurances like health, vehicles etc. So, awareness needs to be made with the help of PMJDY scheme regarding insurance.
6. The Digital security and Digital transactions security needs to be strengthened in India. People are scammed by various frauds due to lack of digital understanding.
7. A mere opening account at zero balance is not enough, Gov. should incorporate other facilities like Micro-credit, Micro-Investment, Micro insurance schemes etc.
8. Government should promote digital payments and other online facilities in addition to RuPay debit cards To evaluate the results of the scheme, Gov. should enforce strong and effective monitoring mechanism so as to ensure that whether poor people are benefitting out of scheme or not.

Conclusion

Overall, we can say that the PMJDY scheme had a successful 7 years journey which will make everyone financially inclusive soon in coming years. The scheme had a positive impact on ATM industry, Financial System, Women Empowerment and Various other schemes. PMJDY is the world's biggest scheme which works for the upliftment and empowerment of women. It serves as the foundation stone towards various economic incentives and schemes which are people centric. In this testing time of Covid-19 Pandemic, PMJDY has done a commendable job by providing facility of Direct Benefit Transfers (DBT), where poor people can get financial assistance to run their livelihood. We have come across a long way but there is still more to achieve, there will always be a scope for improvement till we make every individual living in the remotest areas of the country financially inclusive, literate and sustainable. Further, the scheme will undoubtedly lead India towards Economic and Financial Development, eventually making it a Developed Nation.

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