

An investigation into understanding the impeccable role of Pradhan Mantri Jan Dhan Yojna [PMJDY] as a tool of Capital Mobilization and a strengthening tool for financial Inclusion

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Abstract

A lot of efforts from the side of previous government and Reserve Bank of India (RBI), the problem of financial untouchability continue to persist in our economy. Therefore, Prime Minister highlighted this problem by stating Economic Times Bureau (2014) that not even 68 percent of Indian population has access to banking services even after 68 years of Independence. RBI urged banks to follow the objective of financial inclusion, in this way this word was first featured in India in 2005. The term financial inclusion refers to 'impart of banking services to the deprived and low income group people at reasonable cost'. Leeladhar (2006) defined financial inclusion as a means to deliver banking services to the huge sections of the disadvantaged and low-income groups at an affordable cost.

Since long it has been the effort of Indian government and RBI to extend benefit of banking to one and all keeping this in view recently on eve of 68th Independence Day, Prime Minister Narendra Modi launched "Pradhan Mantri Jan Dhan Yojana" with an objective to reduce financial untouchability by including millions of people in the financial mainstream which will be a boom to our economy. It will serve multiple benefits thus ensuring strengthened economy in each aspect right from employment to poverty reduction in multiple ways. The present paper aims to understand conceptually about this scheme, its achievements, strategy, focus areas and benefits. Thus, it will help in understanding all possible strength areas, improvements required and this scheme as a tool for country future success.

Keywords: *Financial Inclusion, Pradhan Mantri Jan Dhan Yojana, Government, Bank*

Introduction

Pradhan Mantri Jan Dhan Yojana (PMJDY) the biggest financial inclusion initiative in the world, completed its First Anniversary today. It was announced by the Prime Minister Shri Narendra Modi on 15th August 2014 and Mega launch was done by him on 28th August 2014 across the country. Simultaneous launch functions were held in State Capitals and Districts through 79 Mega Camps in the presence of Union Ministers, State Chief Ministers, MPs/MLAs and other dignitaries. More than 70000 account opening camps were held all over the country.

The target of opening one account per household was achieved by 26th January 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. At present more than 17.5 crore bank accounts have been

opened under Pradhan Mantri Jan Dhan Yojana (PMJDY) and the people have deposited more than Rs.22,000 crore in these accounts.

The finance ministry on Wednesday said the next phase of the government's ambitious financial inclusion scheme, Pradhan Mantri Jan Dhan Yojana (PMJDY), will be focused on mobilisation of financial savings to reverse the decline in the savings rate. This would be possible by activating the PMJDY accounts by progressive use of direct benefit transfer (DBT), increasing financial literacy and creating universal social security cover for all citizens as declared by Finance Minister Arun Jaitley that the efforts of public sector banks (PSBs) in providing financial inclusion to all households by opening at least one bank account per household under PMJDY.

After reviewing the quarterly performance of PSBs, Jaitley said banks should take commercial decisions without fear or favour as the government is committed to provide them financial autonomy, both in letter and spirit. In a statement, the finance ministry said the focus of the quarterly review was to go through the performance of banks and understand their challenges and constraints. The review meet was attended by heads of all PSBs and state-run financial institutions. The ministry also held discussions with PSBs on the Reserve Bank of India's move to lower key interest rates, while making a case for higher lending towards the housing sector.

The RBI had last week announced a 25 basis points or 0.25% cut in repo rate or the rate at which it lends to banks. Some bankers are of the opinion that they may wait till the next bimonthly monetary policy review of the RBI on April 7 before cutting interest rates. The finance ministry said that the credit growth in the housing sector was higher compared with the overall credit growth and with lower non-performing assets (NPAs), making this a priority sector for further growth of credit without concomitant fear of rise in bad loans.

Finance Ministry is of the opinion that adoption of differentiated strategies and capital augmentation plans through innovative financial instruments would allow the banks to meet their capital requirements. This will also facilitate appropriate credit expansion to meet the needs of the productive sectors of the economy, so that the momentum of economic growth may be sustained, adding that PSBs will play an active role in successful implementation of social schemes announced in the budget such as the Atal Pension Yojana. Top 10 borrowers accounted for Rs 28,152 crore of non-performing assets of state-run banks.

Scope and coverage of Jan Dhan Yojna

The Narendra Modi-led NDA government has rolled out its ambitious financial inclusion programme, the Pradhan Mantri Jan Dhan Yojana (PMJDY), and said banks have opened a record 1.5 crore accounts on Thursday through thousands of camps, exceeding the firstday target of 1 crore accounts. The scheme aims to take banking facilities to 7.5 crore households by January 26, 2015, against the earlier deadline of August 15, 2015.

The PMJDY has entered the Guinness World Records for opening the highest number of bank accounts in the shortest time. According to official data, 12.51 crore new bank accounts have been opened. The target under the scheme was to open 10 crore accounts by January 26, 2015, but this mission was accomplished a month ahead of the deadline.

Nearly 100 per cent of the households (99.74) in the country have been covered. State-run banks took the lead in this mission and opened nearly nine crore accounts whereas rural banks opened about two crore accounts. With less penetration in the rural areas, 13 private sector banks together opened nearly 45 lakh accounts. In terms of numbers, more accounts (7.31 crore) have

been opened in the rural areas and this constitutes nearly 60 per cent of the total new accounts. However, so far there is no official figure about the deposits in these accounts in the rural India. The total deposit mobilization of Rs 10,155 crore would have been more impressive, had at least 50 per cent of this come from the rural areas.

Under the scheme, each customer will get a RuPay debit card, with an in-built accident insurance cover of Rs 1 lakh and an overdraft facility of Rs 5,000, subject to satisfactory operations of the account for at least six months. To help lenders meet the target, the prime minister has also announced a life cover of Rs 30,000 for all those opening bank accounts by January 26. While the life cover will be free, for the debit card, a fee of 50 paise will be charged per transaction.

The Prime Minister believes the entire exercise will strengthen the country's banking system as it will rope in an additional 50,000 business correspondents and set up about 7,000 branches and 20,000 new automated teller machines, in the first phase. Here we take a look at how the scheme will benefit the lower strata of the society

Providing banking facility without any extra cost

The Jan Dhan Yojana provides for a free zero-balance bank account with a debit card. While launching the scheme, Modi said, the scheme would mark the beginning of the end of "financial untouchability" and rid the country of poverty. He said after 68 years of Independence, not even 68 per cent of the population is covered by the banking system.

Now the poor can swipe the card too

Under the program account holders will be given a RuPay debit card for PoS sales. And upon satisfactory operation of the account for six months, the account holder will get a Rs 5000 overdraft facility. Modi said having a debit card will help counter the current economic apartheid in the country, and will strengthen the savings habit in the country.

Rs 1 lakh accidental insurance

All households that open such bank accounts under the Jan Dhan Yojana will get Rs 1 lakh accident insurance. Given the considerably high expenses when it comes to medical emergencies, the lack of formal credit facility through banking channels pushes the poor deep into the debt-traps.

LIC, the country's largest financial institution, will offer a life cover of Rs 30,000 while HDFC Ergo will provide a Rs 1-lakh personal accident cover to RuPay cardholders. As per the agreement between HDFC Ergo and NPCI, a claim will be disposed only if the card is active. A card will be considered active if the cardholder has swiped it within 45 days of making a claim.

Today, the 1.5 crore families which got connected with the economic system will give a boost to the economy," the prime minister said. Modi noted that it was easy for the rich to get loans at low interest rates but that the poor are forced to borrow from moneylenders at five times that figure.

To cover a vast majority of country's poor

The Jan Dhan Yojana aims to cover 60 per cent of the country's population that does not have access to formal banking services.

Account holders to get Centre/states benefits

Under the Jan Dhan Yojana, all benefits from the Centre/states/local bodies are proposed to be transferred to the accounts of beneficiaries. The government is also likely to push the Direct Benefits Transfer (DBT) scheme and try to restart it for liquefied petroleum gas. It is likely the

National Rural Employment Guarantee Scheme will be included under DBT.

Financial literacy

According to the government the program will impart financial literacy up to village level. The government is also said to set over 60,000 enrolment camps in rural areas to make people aware of the importance of bank accounts.

Pradhan Mantri Jan Dhan Yojana (PMJDY) is a nationwide scheme launched by Indian government in August 2014. In this scheme financial inclusion of every individual who does not have a bank account is to be achieved.

Achievements of PMJDY and its role in capital mobilization

The text of the Message of the Secretary, Department of Financial Services Dr. Hasmukh Adhia on the First Anniversary of Pradhan Mantri Jan Dhan Yojana (PMJDY) clearly clarifies how this scheme has helped in streamlining the capital mobility through technology streamlining the processes thus reducing duplication and bringing benefit to all.

- a) Process simplification and customer's convenience have been at the core of design of PMJDY. First, the account opening form was made one pager, simplified and universal. Use of e-KYC reduced paper work and documentation.
- b) Second, the citizen had option of opening account even during extended working hours and with customer service points (Business correspondents) in branchless banking.
- c) Third, multiple services were bundled in single product i.e. bank account, RuPay Card, mobile banking, insurance and credit (over draft) .
- d) Fourth, entire account opening process was completed in quick time and accounts were instantly activated.
- e) Fifth, multiple channels were made available to the citizen for grievance management like email, toll free number, portal, physical letters. The grievances were immediately attended to within 2 days and resolved within 5-7 days.
- f) RuPay Debit Cards ensured simplification of processes and time saving for the citizens. We also used technology for very effective monitoring of PMJDY from the Mission Office
- g) The number of citizen service points (Business Correspondents) in branchless banking has increased from 1.02 lakhs (102 thousand) to 1.26 lakhs (126 thousand). There has been mobilization of more than Rs 22,000 crores (Rs 220 Billion) in these bank accounts.
- h) Now the focus of PMJDY has moved from account opening to the realms of social security benefits like accident insurance, life insurance, credit to low income groups and provision of pensions. PMJDY has been a game changer in the financial inclusion efforts in the country
- i) A financial inclusion scheme 'Swabhiman' was launched in 2011 by the UPA Government. But under this scheme, out of 5.92 lakh villages in the country only 74,000

could be covered. It proves that the approach was wrong and the bankers were reluctant. The major change with PMJDY is that households are being targeted instead of only villages as earlier. Moreover, the Swabhiman focused on rural areas only whereas the new scheme has attached equal importance to urban areas as well.

- j) Dormant accounts: A big worry -The deposits so far look impressive but that only one-third are active is cause for alarm. Most of the accounts opened are 'zero balance' accounts. The official figure indicates that 72 per cent of the newly-opened accounts are dormant. As on January 27, the total number of accounts opened under the scheme stood at 12.51 crore, out of these 8.25 crore are 'zero balance' accounts. Deposits in these accounts crossed Rs 10,000 crore.

Finally the whole task was done in a Mission mode with very strict timeline

Milestones achieved under PMJDY

- Banks have opened 17.74 Crore accounts under PMJDY with deposit of more than 22000 crores.
- Aadhaar has been seeded in 41.82% of account opened under PMJDY.
- To ensure universal banking access more than 1.26 lakhs Bank Mitras have been deployed with on- line devices capable of e-KYC based account opening and interoperable payment facility.
- 131012 Mega Financial Literacy camps were organized by banks under PMJDY 'in coordination with various agencies and 89876 Financial Literacy counters, to spread awareness on PMJDY, use of RuPay cards etc. 147418 students in 2567 schools/collage were imparted training on Financial literacy from September 2014 to April 2015(Source: Banks).
- More than 10 lakhs accounts have been found eligible for Overdraft facility. Out of these overdraft facility has been availed by 164962 account holders.
- 847 Claims of Life cover of Rs.30000 and 389 Claims of accident insurance cover of Rs. 1 lakh have been successfully paid.
- As on 22nd August, 2015, 8.17 crore beneficiaries have been enrolled under the Pradhan Mantri Suraksha Bima Yojana and 2.76 crore have been enrolled under Pradhan Mantri Jeevan Jyoti Bima Yojana. 6.83lakh account holders have been enrolled under Atal Pension Yojana.
- Zero balance accounts in PMJDY have declined from 76% to 45.74% from September 2014 to 19thAugust 2015
 - Jan Dhan Yojana features in Guinness Book of World Records: Guinness World Records recognised the achievements made under PMJDY for opening 18,096,130 accounts by Banks in a week (from 23 to 29 August, 2014) as a part of Financial Inclusion Campaign.
 - Launch of dedicated website for Pradhan Mantri Jan Dhan Yojana by Secretary (FS) ON 27.10.2014: website for PMJDY (www.pmjdy.gov.in) which is available in both English & Hindi versions. The website consists of Information on administrative structure with contact details of Central/State/District level mission directors/nodal officers monitoring implementation of PMJDY, information of latest events & latest circulars issued under the Scheme.

- Tableaux on PMJDY – A tableaux of Ministry of Finance (Department of Financial Services) was displayed on Republic day depicting clear picture of the Scheme with the help of larger than life structures, 3D pictures and Mime show. It showed people from low income groups who have been benefitted under the Scheme.
- Payment of wages under MNREGA: More than Rs 4273 crore have been routed through these accounts till June 2015 towards payment of wages under MNREGA. (Source: MNREGA, Ministry of Rural Development).
- DBTL transactions: Transfer of subsidy of more than Rs 17446 crore through Jan Dhan accounts from November 2014 to 31st July 2015. (Source: Ministry of Petroleum & Natural Gas).

RBI begins Evaluation of Jan Dhan Yojana

The Reserve Bank of India has begun evaluating the progress of campaign across the various districts of India. The RBI want's to review the entire process and determine the constraints faced by Banks and Banking correspondents. It will then incorporate the best practices and improve the entire account opening process.

Aadhaar for Jan Dhan Yojana

The low penetration of Aadhaar ID's in the North Indian states has emerged as a hurdle to opening bank accounts under Jan Dhan Yojana. While Southern states have seen enrollment figures of up to 80% it is only 15-20% in Northern states of UP,Uttarakhand etc

Rupay ATM Cards in PMJDY

While some banks have already issued Rupay Cards to PMJDY account holders, others like HDFC have not because they are yet to adopt the Rupay system and this could take time.

Benefits of Jan Dhan Yojna

It is quite evident from the above discussion that it will aid in financial inclusion, will rescue villagers from the clutches of evil money lenders. It will also help in boosting household savings rate similar to Bank Nationalization in 1960s.

- Direct Benefit transfer (DBT) money will flow into those accounts (and from there again as “loans” to other needy people.) Thus savings will turn into capital. Subsidy leakage will decline.
- Will increase Insurance penetration.
- Overdraft only after monitoring performance win-win, rare chances of NPA/defaults.

According to Finance ministry Deposits in accounts opened under the government's ambitious financial inclusion scheme Pradhan Mantri Jan Dhan Yojana (PMJDY) have exceeded Rs 25,000 crore. It has been noticed that good amount of deposit has been made in these accounts, which has come to the banks as low cost The finance ministry had earlier said that the focus of PMJDY has moved from account opening to the provision of cash-out facilities at an approachable distance to reap the real benefits of the financial inclusion scheme. As it is known that one of the basic objectives of financial inclusion is the delivery of financial services at an affordable cost to the vast sections of the disadvantaged and low-income groups as specified by the ministry.

Here is listed some important benefits of the Pradhan Mantri Jan Dhan Yojna (PMJDY) scheme which would certainly inspire the country to a more prosperous future for all.

Life insurance under Pradhan Mantri Jan Dhan Yojana

Under the PMJDY scheme the account holders will be given worth Rs.30000 insurance coverage if they comply with certain specification of the scheme which includes opening an account by January 26, 2015 and having an accidental insurance coverage of over Rs. 200000.

Loan benefits under Pradhan Mantri Jan Dhan Yojana

The account holder can take loan benefit of up to Rs.5000 from the bank after six months from opening the account. Though the amount might seem insignificant for many but we have to realize the scheme is directed mostly towards people below the poverty line and who are struggling desperately to sustain their everyday living. The loan benefit can be a scintilla of hope for those people who could utilize the loan amount and invest it in a more profitable outcome, particularly in farming or other agricultural prospect.

Mobile banking facilities under Pradhan Mantri Jan Dhan Yojana

Though the technology of using smart phones to conduct our bank transactions is not novel anymore but the PMJDY scheme will allow its account holders to avail the same facilities of checking balance and transferring funds through a normal cell phone which is more affordable to the general economy.

Hence PM Jan Dhan Yojana is indeed a prosperous venture and we certainly hope the Prime Minister and the mass economy are both benefited through this new venture.

Another major benefit lies in taking benefit with respect to overdraft facility. If a person is given an overdraft facility in Jan Dhan Yojana it can really benefit their business. For eg. If there is an urgent cheque that has been received by a vendor and the customer payment is yet not deposited in the bank account, the cheque does not bounce. Instead it is cleared by the bank. This does not harm the image of the businessman and also there are no charges levied towards the cheque bounce.

- A specific interest rate may be charged by the bank for making an overdraft. This charge is not as large as compared to the cheque bounce charges.
- This rate may or may not be disclosed to the account holder.
- Sometimes overdraft also helps when ATM withdrawals are made at an emergency without knowing the balance in the debit card.
- Once the amount has been returned to the bank the account is shown as zero balance.
- An overdraft facility of INR5000.00 is available to any one account holder per household. i.e. only one member of a particular family can avail the overdraft facility. It is preferred though not obligatory that the member who avails the overdraft facility is a female member.
- The facility will be available to the customer/account holder only after the account is functional for six months.
- The account holder should have a good transaction record to avail this facility.
- It will also help in reducing role of sahuikars and mahajans
- It will also strengthen Digital India Scheme, Economic growth and poverty reduction and increase self employment.
- Among private lenders, the percentage of „zero-balance Jan Dhan accounts at YES bank is 89, Kotak Mahindra Bank 77 and Axis Bank 75. Among PSBs, 95 per cent of State Bank of India“s Jan Dhan accounts are zero-balance; for Indian Overseas bank, it stands at 84 per

cent. Of the bank accounts opened under the scheme, about 90 million were at PSBs, while private banks accounted for only 4.1 million accounts (3.6 per cent of the overall number). The rest were accounted for by regional rural banks.

- Five major private lenders – ICICI bank, Kotak Mahindra Bank, YES Bank, IndusInd Bank and Karur Vaisya Bank – have opened 0.9 million accounts under the scheme. Public sector banks have much greater rural penetration compared to the private sector.

To summarize, this kind of facility helps in a lot of emergencies and other business transactions. These business can be small time or large scale business. It works similar to a loan that can be taken from the bank based on the credibility of the account holder.

Essential areas to be emphasized

Opening bank accounts may not immediately become viable but it can be over a period of time. While payments from Governments under Direct Benefit Transfer schemes can improve viability following strategic actions by banks can contribute to improve viability.

Government and banks in an effective coordinated manner will have to launch a massive campaign to create full awareness among poor households for their better understanding of the Jan Dhan Yojana and improve the level of education / financial literacy that can help them avail the benefits under the scheme along with the responsibilities attached with it.

Simultaneously, banks will have to put in place client-friendly procedure that can encourage /motivate them to operate the bank account rather than allowing to remain dormant since Financial Inclusion aims at continuous operations/transactions in the bank account already opened.

The Rangarajan Committee on Financial Inclusion revealed that over 95% of adults in country's 256 districts did not have bank loans. Banks under the PMJDY will, therefore, need to ensure that beneficiary uses overdraft facility to acquire assets, pursue economic activity, generate income and ultimately converts it into loan in due course. This calls for concern, commitment and accountability of all stake-holders under the PMJDY to make it result-oriented.

Banks must focus mobilization of savings by motivating them and extending bank credit hassle-free on lines of SHGs under SHG-Bank-Linkage Program since India's household savings have been declining since 2009-10, together with strong com-positional shifts from financial to physical savings.

Banks should perceive Financial Inclusion as a business opportunity, rather than a compulsion, and use it as a means to expand the resource base of country's financial system, protect low-income groups from being exploited by moneylenders and improve the effectiveness of the system to reduce the scope of the unorganized sector.

All newly opened bank accounts under PM Jan Dhan Yojana have a monthly limit on withdrawals in the account which is set to Rs 10,000. Some financial inclusion experts feel that this cap could deter people from opening accounts under Pradhan Mantri Jan Dhan Yojana. These accounts also carry a upper limit on deposits which cannot exceed Rs 1 Lakh in a given financial year.

Since the Jan Dhan Yojana Scheme was launched on 28th August 2014, more than 3 crore bank accounts have been opened across villages and cities of India. These stringent guidelines have been issued to ensure that non-intended beneficiaries do not take advantage of the scheme which needs to be improvised. The very biggest challenge is its implementation because opening of bank account is not the big issue but to maintain regularity and continuity of those accounts is very important

Conclusion

The scheme is a game changer for the Indian economy. It has created a platform for inculcating the habit of saving money, providing formal credit facilities, plugging leakages in public subsidies and welfare programs. This is indeed a credible achievement of the Government for changing the economic condition of the people.

Another challenge is making the PMJDY an effective tool for direct benefit transfer and for this unique identification 'Aadhaar' must be seeded with all accounts. So far nearly 30 per cent Aadhaar has been seeded under PMJDY. The banks need to raise the awareness of the customers for Aadhaar seeding and to use various channels including SMS, internet banking, ATMs for seeding of Aadhaar. Moreover, nearly two crore new account-holders have not yet received their RuPay cards. The process must be quick and time-bound.

Finally, the scheme will only be successful, if efforts are made to spread financial literacy. Financial literacy would help in keeping majority of accounts active. Banks must be asked to make efforts in coordination with various agencies and existing financial literacy centres to spread awareness on PMJDY, use of RuPay cards, insurance, overdraft etc

This program will not only open-up zero balance account but also a step to alleviate poverty by generating employment opportunities which improves the living standard of millions of people. The use of Ru-pay debit card and banking services needs proper training and education. This program is going to speed up the growth cycle of economy by motivating savings which further motivates more and more investment, which encourages employment. It will also help in reducing gap between government and public and hence leads to social welfare. Enhance lending business of banks.

Impact of overdraft facility Work as a tool for emergency assistance. Increase faith on government. Enhance additional source of interest. 'Digital India Scheme' through direct deposit of subsidies in the account, it motivates people to change their lifestyle and step-up towards modernization. Complementary to government's 'Digital India Scheme' as it is move towards cashless economy.

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