

Pradhan Mantri Jan Dhan Yojana (Pmjdy) A Conceptual Study

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Abstract

Understanding the causes of juvenile delinquency is a crucial part for stopping a juvenile from being Financial inclusion is the delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of society, in contrast to financial exclusion where those services are not available or affordable. PMJDY and demonetization have played a vital role in the empowerment of financial inclusion.

Prime Minister Narendra Modi announced a new scheme in his Independence Day speech on 15th August 2014, and launched it on 28th August 2014. PMJDY has been a great success. It has registered its name in the Guinness Book of World Records for the tremendous amount of bank accounts have been opened so far. 27.39 crore bank accounts have been opened and Rs. 66,491.64 crore deposited in these accounts.

Indian govt adopted demonetization in November 8, 2016 with the idea of removing black money and making India a less cash digital economy. Since Financial Inclusion is an essential element in the growth of the country's economy, this paper endeavors to study the effect of Demonetization and PMJDY on Financial Inclusion.

Keywords: Pradhan Mantri Jan Dhan Yojana, financial inclusion, growth, economy.

Introduction

Although there have been significant improvements in the areas relating to financial inclusion, but banks have not been able to include vast segment of the population, especially the underprivileged sections of the society, into the fold of basic banking services. Policymakers and financial institutions have been making attempts to bring large sections of the rural population within the banking system. They have realized that financial inclusion is the essence of sustainable economic growth and development in a country like India. Without Financial Inclusion we cannot think of economic development because a large number of total population remains outside the growth process.. Though there are few people who are enjoying all kinds of services from savings to net banking, but still in our country around 40% of people lack access to even basic financial services like savings, credit and insurance facilities. Every household has been brought within the hold of the banking system there has been an ongoing process started a decade ago. Financial Inclusion has experienced a regressive growth by the various number of recent step taken by the present government. For instance, Pradhan Mantri Jan-Dhan Yojana, Demonetisation, Atal Pension Yojana, Financial literacy etc. These financial inclusion plans with the objective of covering all households in the country with banking facilities along with inbuilt insurance coverage. Their purpose is to accelerate growth, fight poverty, and eradicate corruption and to empower the last man in the last row in Indian economy.

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Pradhan Mantri Jan Dhan Yojana

PMJDY is a national mission on financial inclusion encompassing an integrated approach to bring about comprehensive financial inclusion of the entire household 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 facilities. In addition, the beneficiaries would get RuPay debit card having inbuilt accident insurance cover of Rs.1 lakh. The plan also envisages channelling all government benefits (from centre /state /local body) to the beneficiaries' accounts and pushing the direct benefit transfer (DBT) scheme of the union government. The technological issues like poor connectivity, online transactions will be addressed. Mobile transactions through telecom operators and their established centres as cash out points are also planned to be used for financial inclusion under the scheme. Also an effort is being made to reach out to the youth of this country to participate in the mission mode programme.

Objective of Pradhan Mantri Jan Dhan Yojana is ensuring access to various financial services like availability of basic saving bank accounts, access to need based credits, remittance facility, insurance and pension to the excluded sections i.e. weaker sections and low income groups. This deep penetration at affordable cost is possible only with effective use of technology.

Action Plan for Pmjdy

On the inaugural day, a record 1.5 crore bank accounts were opened across the country, the largest such exercise on a single day possibly anywhere in the world which is planned to cover 7.5 crore people by January 26, 2015. It is essentially seek to provide a bank account to every poor in the country, and the account holder is provided a debit card and a life insurance cover of rupees 1 lakh. Never before would insurance companies have issued 1.5 crore accident insurance policies on a single day. Never before in economic history would 1.5 crore banks accounts have been opened in a single day. Never before has the government of India organised a programme of such scale- over 77000 locations- with the participation of so many Chief Ministers, Union Ministers, government and bank officials.

Two phases were proposed for PMJDY:

PHASE ONE (15 AUG 2014 to 14 AUG 2015)

- Universal access to banking facilities
- Accounts with overdraft facility of up to Rs. 5000/-. Providing Basic Banking
- The issuance of kisan credit card (KCC) as RuPay kisan card .
- RuPay Debit Card with inbuilt accident insurance cover of Rs. 1 lakh
- Financial Literacy Programme.

PHASE TWO (15 AUG 2015 to 14 AUG 2018)

- Creation of credit guarantee fund for coverage of defaults in overdraft accounts.
- Micro insurance.
- Unorganised sector pension yojana, like swavlamban.

Objectives of Study

1. To know implications and effectiveness of PMJDY in Rajasthan.
2. To study the effect of Pradhan Mantri Jan Dhan Yojana on financial inclusion.
3. To study the current status of PMJDY.
4. To know the no frill account and Rupay card status under PMJDY in Rajasthan

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Sources of Data Collection

The study is based on secondary data which was collected from the government web sources, RBI reports, SLBC Rajasthan, IBA Bulletin websites, journals, magazine, banks web sources. Table 1.1 shows progress of PMJDY during 2015-16 to 2017-18 under different heads.

Table 1.1

Progress of PMJDY in Rajasthan (1)

Year	Rural A/c	Urban A/c	Male A/c	Female A/c
2015-16	10928317	5871375	6225129	10574563
2016-17	1400976	1167990	1684190	884776
2017-18	2254698	2700725	2211652	2743771
Average	4861330	3246697	3373657	4734370
S.D.	5271475.67	2398754.14	2483490.18	5142456.25
C.V. (%)	108.43	73.88	73.61	108.61

Source: SLBC, Rajasthan, Annual Reports from 2016 to 2018.

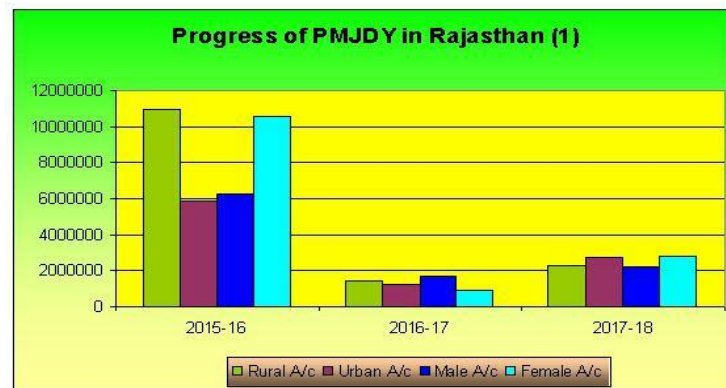


Fig. 1.1

As Table 1.1 showing, number of rural accounts opened under PMJDY was 10928317 in 2015-16 which decreased significantly and came down to 1400976 in 2016-17. Then it increased again and reached finally to 2254698 in 2017-18.

The total number of accounts opened in urban areas of Rajasthan under PMJDY was 5871375 in 2015-16 which decreased sharply and came down to 1167990 in 2016-17. Then, it increased and reached finally up to 2700725 in the year 2017-18. The total number of accounts opened by male population of Rajasthan under PMJDY was 6225129 in 2015-16 which decreased sharply and came down to 1684190 in 2016-17. Then, it increased and reached to 2211652 in the year 2017-18.

The total number of accounts opened by female population of Rajasthan under PMJDY was 10574563 in 2015-16 which came down to 884776 in 2016-17. Then, it increased and reached to 2743771 in the year 2017-18.

From standard deviation and coefficient of variation values, it can be observed that rural accounts and female accounts showed higher fluctuations than urban accounts and male accounts opened

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during 2015-16 to 2017-18 in Rajasthan.

It can be noted from Table 1.1 that average number of rural accounts opened was significantly higher than urban accounts opened. Similarly, average number of female accounts opened was remarkably higher than male accounts opened. It can be concluded from this analysis that rural population and specially females are participating actively in Pradhan Mantri Jan Dhan Yojana (PMJDY) which marked the popularity of this scheme.

Table 1.2 shows total accounts opened, total deposit received in these accounts and number of accounts linked through Aadhar opened under PMJDY during 2015-16 to 2017-18.

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Progress of PMJDY in Rajasthan (2) Table 1.2

Year	Total A/c	Total Deposit (Rs. 000s)	Aadhar Seeded
2016	16799692	27594852.10	9811541
2017	2568966	23806493.95	4822380
2018	4955423	1005086.89	3883638
Average	8108027	17468810.98	6172520
S.D.	7621192.47	14383274.06	3186246.43
C.V. (%)	93.99	82.33	51.61

Source: SLBC, Rajasthan, Annual Reports from 2016 to 2018.

As given in Table 1.2, total number of accounts opened under PMJDY was 16799692 in 2015-16 which decreased significantly and came down to 2568966 in 2016-17. Then, it increased again and reached finally to 4955423 in 2017-18.

The amount of total deposits in these accounts under PMJDY was Rs. 27594852.10 thousands in 2015-16 which decreased and came down to Rs. 23806493.95 thousands in 2016-17 and further declined to Rs. 1005086.89 thousands in the final year 2017-18. It is interesting to note that although

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total accounts opened became almost double from 2016-17 to 2017-18 still total deposit came down more than half in 2017-18 from 2016-17. The reason is that most of these accounts have been opened by rural poor and females. Initially, they deposited their savings but as the time passes, they have to withdraw the amount on requirement and it is difficult for them to deposit the amount again shortly.

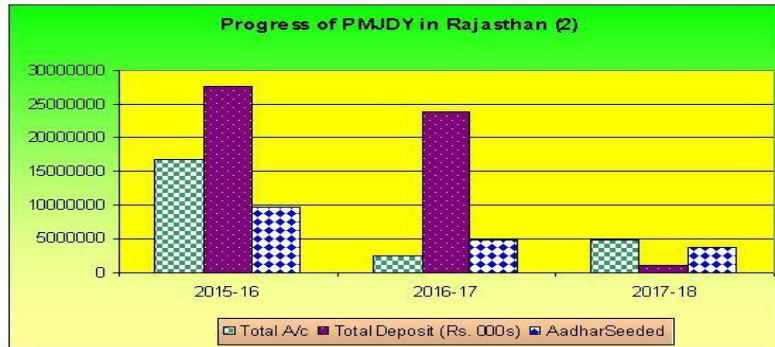


Fig. 1.2

The total number of Aadhar seeded was 9811541 in 2015-16 which decreased to 4822380 in 2016-17 and further came down to 3883638 in 2017-18.

From standard deviation and coefficient of variation values, it can be observed that total accounts opened have highest fluctuations followed by total deposit and then number of Aadhar seeded during 2015-16 to 2017-18 in Rajasthan.

It can be noted from Table 1.2 that average number of total accounts opened, amount deposited and Aadhar seeded during 2015-16 to 2017-18 shows slow speed of the scheme implementation and it should be accelerated in coming years.

Table 1.3 shows total zero balance accounts opened and RuPay cards issued under PMJDY during 2015-16 to 2017-18.

Progress of PMJDY in Rajasthan (3) Table 1.3

Year	Zero Balance A/c	Rupay Card Issued
2015-16	4082567	14472659
2016-17	3700357	17135764
2017-18	3182807	17044094
Average	3655244	16217506
S.D.	451573.28	1511776.53
C.V. (%)	12.35	9.32

Source: SLBC, Rajasthan, Annual Reports from 2016 to 2018.

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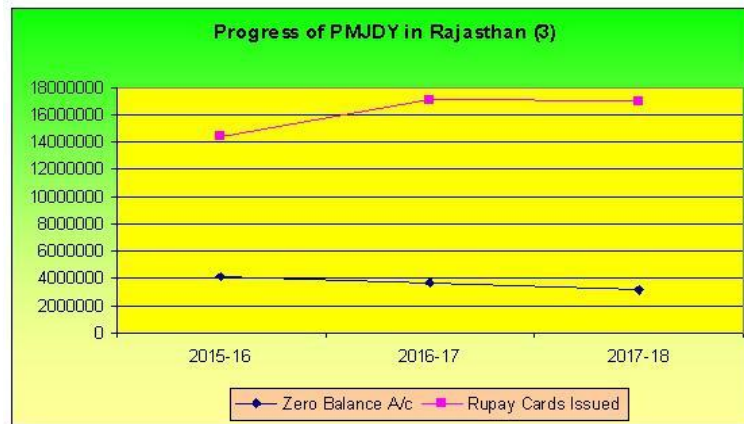


Fig. 1.3

The number of zero balanced accounts among the total accounts opened under PMJDY was highest 4082567 in 2015-16 which decreased to 3700357 in 2016-17 and further came down to 3182807 in 2017-18. The reason of downward trend of zero balanced accounts was that many banks started to convert such accounts into general saving accounts after violation of a certain limit of transactions during a month by the account holder. Similarly, number of Rupay cards issued was 14472659 in 2015-16 which increased to 17135764 in 2016-17 but came down to 17044094 in 2017-18 due to similar reason as for zero balance accounts decrement.

Challenges

In India and especially in Rajasthan, where more than one-fourth of population is illiterate and below the poverty line, ensuring financial inclusion is a challenge. The two indicators, poverty and illiteracy, are very huge problem and challenges to overcome. Rural poverty is even higher in Rajasthan. Rural poverty can be attributed to lower farm income, lack of sustainable livelihood, lack of skills, under employment and unemployment. Thus, ensuring deposit operations in these accounts is a challenge and it was analysed that deposits have a decreasing trend in PMJDY accounts.

A financial inclusion strategy sensitive to regional, demographic and gender related factors, may be a big problem. In the opening of PMJDA, mainly public sector banks (PSBs) rose to the occasion in ensuring that every unbanked household had a bank account. Now that crore of PMJD accounts have been opened in the last two years in Rajasthan, a feat unparalleled in history of financial inclusion, it needs to be considered whether it is also the responsibility of the PSBs to ensure that these are operational or not.

There are a number of regulatory authorities that have a role to play in financial inclusion – Reserve Bank, National Bank for Agriculture and Rural Development (NABARD), Securities and Exchange Board of India, Small Industries and Development Bank of India, and MUDRA bank. There is a need to fix responsibility on a single regulatory authority to ensure that Jan Dhan Accounts are operational.

Money lenders continue to account for nearly 30 per cent of total banking business. In modern times, if interest rate matters, why do people prefer to go to moneylenders, despite a network of banks, cooperatives, MFIs and SHGs? Is it simply due to ease of doing business or some other factors? The answer is- the moneylenders have the solution of each problem that comes in the way when people

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use banking network for financial inclusion.

Conclusion

Poor population, illiteracy, financial illiteracy, lack of transportation, language problem, rigid behaviour of banking staff, geographical barriers etc are the major problems in the path of financial inclusion in Rajasthan and India as well. Although PMJDY initiated a revolutionary change but it will be successful when these problems of financial inclusion will be solved effectively.

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