

## Exploring Pradhan Mantri Jan Dhan Yojana: A Study

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### **Abstract**

The Indian government has consistently made efforts to include rural customers (investors) in the formal financial system. This initiative not only aims to inject a substantial amount of cash flow into the Indian economy but also helps the government in facilitating rural development by offering various services such as gas subsidies. The term "financial inclusion" may vary depending on the ruling party, but the core objective remains the same, which is to empower the economically disadvantaged population at the bottom of the financial market pyramid.

The current situation indicates that the present government has achieved some success by opening approximately 12.54 crore new bank accounts (as of January 2015) and mobilizing deposits of over Rs. 5000 crore (as of November 2014) through the Pradhan Mantri Jan Dhan Yojana (PMJDY), a new form of financial inclusion. However, it is observed that a significant portion of the rural market remains untouched and unexplored. Therefore, this paper aims to study the level of awareness among rural customers regarding financial inclusion schemes.

**Keywords :** Financial Inclusion PMJDY Financial Investor

### **Introduction**

Financial inclusion refers to the provision of affordable banking services to disadvantaged and low-income groups, particularly rural customers. The objective of the Financial Inclusion Plan is to ensure easy access to financial services for those who have been deprived of such services so far, and at an affordable cost, thereby integrating them into the mainstream financial sector. Banks have been implementing financial inclusion activities since their inception through various government-sponsored programs, lending to marginalized communities, priority sectors, and the poorest of the poor. Financial inclusion allows the government to directly provide social development benefits and subsidies to the beneficiaries' bank accounts, minimizing leakages and pilferages in social welfare schemes. Additionally, expanding the reach of financial services to individuals currently without access aligns with the people-centric definition of inclusive growth, aiming to bridge divides between the rich and the poor, rural and urban populations, and different regions. Financial inclusion serves as a means to provide economic fuel for growth and is crucial for achieving inclusive growth. The Reserve Bank of India (RBI) formalized the concept of financial inclusion in 2005 when it allowed the provision of banking services through the Business Correspondent (BC) channel. The Committee on

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Financial Inclusion in 2008 defined financial inclusion as ensuring access to financial services, timely and adequate credit, and a bank account with deposit insurance, along with access to affordable credit and the payments system. In 2010, RBI advised all commercial banks to submit Board-approved plans for providing banking services in rural unbanked areas. In 2011, the Indian government launched the "Swabhimaan" campaign to extend banking facilities to over 74,000 villages with a population of more than 2,000 as per the 2001 census.

The Swabhimaan campaign, which aimed to extend banking facilities to rural areas, had limitations in terms of reach and coverage compared to the new scheme called Pradhan Mantri Jan Dhan Yojana (PMJDY). The Swabhimaan campaign lacked convergence in various aspects of comprehensive financial inclusion, such as opening bank accounts, digital access to money through electronic payment channels, access to micro-credit, insurance, and pension. The campaign focused only on providing banking facilities in villages with a population greater than 2000, without targeting the entire geography or focusing on households. Additionally, there were technology issues that hindered the scalability of the campaign. As a result, the desired benefits were not achieved, and a significant number of bank accounts remained dormant.

### **Review of Literature**

According to Bagli (2012), there is a significant and positive relationship between human development and financial inclusion in Indian states. This finding suggests that improving financial inclusion can be beneficial for governments, financial regulators, and policymakers in the future. However, the current state of financial inclusion in India is not satisfactory. Bagli also emphasizes the importance of promoting mass financial literacy and awareness among marginalized sections of society to achieve financial inclusion.

Chowhan and Pande (2014) found that financial inclusion plays a crucial role in safeguarding the financial assets and resources of low-income groups during challenging situations. It also helps in reducing the exploitation of vulnerable sections by providing easy access to formal credit and discouraging reliance on usurious money lenders. The Pradhan Mantri Jan Dhan Yojana, which is an integral part of the Government of India's development philosophy of inclusive growth, aims to address these issues and promote financial inclusion.

Kaur and Singh (2015) discovered that financial inclusion in India has the potential to tap into the untapped segment of the economy, specifically the bottom of the pyramid. They emphasized that the successful implementation of the Pradhan Mantri Jan Dhan Yojana (PMJDY) demonstrates the significance of coordination, dedication, commitment, and trust among all stakeholders involved in achieving the mission of financial inclusion.

Raval (2015) conducted research on the importance of including low-income or marginalized individuals in economic development. He highlighted that the PMJDY initiative by the Indian government serves as a step in this direction. He also noted the collaborative efforts of the private sector and the involvement of the people beyond government policy formation in supporting the government's initiatives.

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**Objective of study**

1. To examine the concept of Pradhan Mantri Jan Dhan Yojana.
2. To assess the impact of Pradhan Mantri Jan Dhan Yojana, focusing specifically on its implementation
3. To analyze the present status of financial inclusion based on the implementation of Pradhan Mantri Jan Dhan Yojana.

**Research Design**

We used a descriptive study approach to attain the aforementioned purpose. It assists in explaining the many features of financial inclusion programs as well as the level of knowledge about such programs and the key factors that influence rural consumers' awareness of them.

**Limitations of the Study:**

1. The study faced challenges in identifying rural customers who would be eligible for financial inclusion schemes, particularly due to the requirement of having a first bank account to benefit from the new PMJDY financial inclusion scheme.
2. Gathering necessary information from respondents proved difficult due to their reluctance to share financial details.

**Finding and analysis****Conceptual framework**

On August 15, 2014, Narendra Modi, the current Prime Minister of India, announced a new scheme called Pradhan Mantri Jan Dhan Yojana (PMJDY). The scheme was officially launched on August 28, 2014, with the prime purpose of providing easy access for every citizen of India to open a savings bank account, thus promoting financial freedom in the country. The scheme specifically focuses on addressing the financial needs of the economically disadvantaged classes by providing benefits such as zero balance accounts, RuPay debit cards, RuPay credit cards, and easy loan options. The scheme aims to instill hope for a better future among these sections of society. Prior to the formal launch, the Prime Minister personally sent emails to bank CEOs, emphasizing the importance of enrolling over 6 crore (75 million) households and opening their accounts, declaring it a "national priority." The Prime Minister highlighted that while Mahatma Gandhi eradicated social untouchability, financial untouchability remains a significant concern, and opening bank accounts is the first step to tackle this issue. From an economic perspective, India's large population constitutes an essential part of the economic cycle, and connecting families through bank accounts can accelerate the country's economic growth. Therefore, this step towards financial inclusion can contribute to a stronger economy for the nation.

Pradhan Mantri Jan Dhan Yojana (PMJDY) is a flagship financial inclusion scheme launched by the Government of India on 28th August 2014. The primary objective of PMJDY is to provide access to

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financial services to the unbanked population, especially those in rural and remote areas, and promote financial inclusion across the country.

### **Phases of PMJDY**

The Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme is divided into three phases, each with its specific objectives and timeline:

Phase I (15 Aug, 2014 - 14 Aug, 2015):

- The goal is to provide universal access to banking facilities in all areas, except those facing infrastructure and connectivity challenges like parts of North East, Himachal Pradesh, Uttarakhand, J&K, and 82 Left Wing Extremism (LWE) districts.
- Basic banking accounts are opened for individuals, along with the issuance of RuPay Debit cards, which include an inbuilt accident insurance cover of 1 lakh.
- Aadhaar numbers are linked to the accounts to facilitate Direct Benefit Transfer (DBT) payments.
- Financial literacy programs are conducted to educate the population about financial services.

Phase II (15 Aug, 2015 - 14 Aug, 2018):

- The focus is on providing an overdraft facility of up to Rs. 5,000 after six months of satisfactory account operation/history.
- A Credit Guarantee Fund is created to cover defaults in accounts with an overdraft limit of up to Rs. 5,000.
- Micro insurance products are introduced to provide insurance coverage to the beneficiaries.
- Pension schemes for the unorganized sector, such as Swavalamban, are implemented.

Phase III (15 Aug, 2018 - current day):

- The aim is to increase the number of beneficiaries under the PMJDY scheme.
- State governments play an active role in promoting financial inclusion.
- Efforts are made to further enhance financial inclusion initiatives.

In summary, the three phases of PMJDY involve expanding access to banking services, providing insurance coverage, introducing pension schemes, promoting financial literacy, and ensuring continued efforts to include more individuals in the financial system.

### **Features: Pillars of PMJDY**

Universal Access: PMJDY aims to ensure universal access to banking facilities by providing a basic savings bank deposit account (BSBDA) to all eligible individuals. This account can be opened with zero minimum balance requirements.

1. RuPay Debit Card: Account holders under PMJDY are provided with a RuPay debit card, which allows them to access their accounts and make cash withdrawals, purchases, and online transactions.
2. Accidental Insurance Cover: PMJDY offers an accidental insurance cover of Rs. 2 lakh (increased to Rs. 2.5 lakh under the PMJDY 2.0) to account holders. This insurance coverage provides financial protection in the event of accidental death or permanent disability.
3. Life Insurance Coverage: PMJDY also provides life insurance coverage of Rs. 30,000 (increased to Rs. 2 lakh under PMJDY 2.0) to eligible account holders, offering financial support to their families in case of the account holder's demise.
4. Overdraft Facility: After satisfactory operation of the account for a certain period, PMJDY account holders may become eligible for an overdraft facility of up to Rs. 10,000. This provides access to emergency funds and promotes financial stability.

#### **Limitations of PMJDY**

1. Low Utilization: One of the limitations of PMJDY is the low utilization of the accounts. Many account holders do not actively use their accounts for transactions and prefer to keep them dormant.
2. Lack of Awareness: Despite efforts to promote awareness, a significant portion of the target population remains unaware of the benefits and features of PMJDY. This hampers the widespread adoption of the scheme.
3. Accessibility Challenges: In remote and underdeveloped areas, the availability of banking infrastructure, including ATMs and bank branches, can be limited. This poses challenges in accessing banking services for individuals in such areas.
4. Limited Financial Literacy: Many PMJDY account holders, particularly those from marginalized and rural communities, lack sufficient financial literacy. This hinders their ability to make the most of the financial services and benefits provided under the scheme.
5. Overcrowding of Banks: The success of PMJDY has led to overcrowding in some bank branches, especially in rural areas. This can result in longer wait times and limited personalized assistance for account holders.

#### **Conclusion**

In this study, it was observed that the government is consistently making efforts to improve the financial well-being of rural customers through various schemes. The implementation of the Pradhan Mantri Jan Dhan Yojana (PMJDY) has shown some success in increasing awareness compared to the previous Swabhimaan scheme. However, the level of awareness among rural customers regarding financial inclusion schemes remains relatively low. The study revealed that rural customers have limited exposure to banking services and do not fully grasp the importance of these services. The

analysis of demographic factors and sources of information did not yield any significant correlations with awareness levels. The primary reason for the lack of awareness was found to be a lack of understanding about the crucial role of banking services in improving financial well-being. To enhance the effectiveness of financial inclusion schemes, the government should focus on educating rural customers about the importance of banking services in enhancing their financial health.

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