



## **Pradhan Mantri Jan Dhan Yojana (PMJDY) in India: Major Strategies and Implications**

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### **Abstract:**

Pradhan Mantri Jan Dhan Yojana (PMJDY) was introduced by the Hon'ble Prime Minister of India on August 28, 2014. It is the national mission on financial inclusion and adopts an integrated approach to bring about comprehensive access to formal financial channels for all households in the country. The objective of PMJDY is to ensure admittance to various financial services, such as availability of basic savings bank account, access to need-based credit, remittance facility, insurance, and pension to the otherwise excluded sections, i.e., weaker sections and low-income groups. The earlier campaign however was limited in its approach in terms of reach and coverage. Convergence of various aspects of comprehensive Financial Inclusion like opening of bank accounts, access to digital money, availing of micro credit, insurance and pension was lacking. The campaign focused only on the supply side by providing banking facility in villages of population greater than 2000 but the entire geography was not targeted. There was no focus on the households. Also some technology issues hampered further scalability of the campaign. Consequently the desired benefits could not be achieved and a large number of bank accounts remained dormant. A comprehensive plan is necessary to keep the accounts active and use them as an instrument of some economic activity leading to livelihoods.

**Key Words:** Banking, Deposits, Financial Inclusion, Business Correspondence, Financial Services

### **Introduction:**

Pradhan Mantri Jan-Dhan Yojana (PMJDY) is National Mission for Financial Inclusion to ensure access to financial services, namely, Banking/ Savings & Deposit Accounts, Remittance, Credit, Insurance, Pension in an affordable manner. Account can be opened in any bank branch or Business Correspondent (Bank Mitra) outlet. Accounts opened under PMJDY are being opened with Zero balance. However, if the account-holder wishes to get cheque book, he/she will have to fulfill minimum balance criteria.

An account can be opened by presenting an officially valid document. They are, the passport, the driving licence, the Permanent Account Number (PAN) Card, the Voter's Identity Card issued by Election Commission of India, job card issued by NREGA duly signed by an officer of the State Government, the letter issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number, or any other document as notified by the Central Government in consultation with the Regulator: Provided that where simplified measures are applied for verifying the identity of the clients the following documents shall be deemed to be officially valid documents,

- a. Identity card with applicant's Photograph issued by Central/State Government Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, and Public Financial Institutions;
- b. Letter issued by a Gazetted officer, with a duly attested photograph of the person.

Reserve Bank of India (RBI), vide its Press Release dated 26.08.2014, has further clarified that those persons who do not have any of the 'officially valid documents' can open "Small Accounts" with banks. A "Small Account" can be opened on the basis of a self-attested photograph and putting his/her signatures or thumb print in the presence of officials of the bank. Such accounts have limitations regarding the aggregate credits (not more than Rupees one lakh in a year), aggregate withdrawals (nor more than Rupees ten thousand in a month) and balance in the accounts (not more than Rupees fifty thousand at any point of time). These accounts would be valid normally for a period of twelve months. Thereafter, such accounts would be allowed to continue for a further period of twelve more months, if the account-holder provides a document showing that he/she has applied for any of the Officially Valid Document, within 12 months of opening the small account.

#### **Special Benefits under Pradhan Mantri Jan Dhan Yojana (PMJDY) Scheme:**

1. Interest on deposit.
2. Accidental insurance cover of Rs. 2 lakhs
3. No minimum balance required.
4. The scheme provides life cover of Rs. 30,000/- payable on death of the beneficiary, subject to fulfillment of the eligibility condition.
5. Easy Transfer of money across India
6. Beneficiaries of Government Schemes will get Direct Benefit Transfer in these accounts.
7. After satisfactory operation of the account for 6 months, an overdraft facility will be permitted
8. Access to Pension, insurance products.

9. The Claim under Personal Accidental Insurance under PMJDY shall be payable if the Rupay Card holder have performed minimum one successful financial or non-financial customer induced transaction at any Bank Branch, Bank Mitra, ATM, POS, E-COM etc. Channel both Intra and Inter-bank i.e. on-us (Bank Customer/rupay card holder transacting at same Bank channels) and off-us (Bank Customer/Rupay card holder transacting at other Bank Channels) within 90 days prior to date of accident including accident date will be included as eligible transactions under the Rupay Insurance Program 2019-2020.
10. Overdraft facility upto Rs. 10,000/- is available in only one account per household, preferably lady of the household.

### **Mission Mode Objectives (6 Pillars):**

PMJDY to be executed in the Mission Mode, envisages provision of affordable financial services to all citizens within a reasonable distance. It comprises of the following six pillars:-

1. Universal access to banking facilities:
2. Providing Basic Banking Accounts with overdraft facility and RuPay Debit card to all households:
3. Financial Literacy Programme
4. Creation of Credit Guarantee Fund
5. Micro Insurance
6. Unorganized sector Pension schemes like Swavalamban

### **REVIEW OF LITERATURE:**

1. **Harpreet Kaur (2016)** studied the recent trends in financial inclusion in India with special reference to Pradhan Mantri Jan Dhan Yojana (PMJDY), highlighting its key areas and suggests strategies to ensure maximum financial inclusion for the underprivileged and unbanked areas.
2. **Ahmed Hussain (2017)** highlighted on Performance of the Pradhan Mantri Jan Dhan Yojana (PMJDY) and latest trends being implemented for financial inclusion by PMJDY. It is found that, of the accounts opened at public sector banks under the Jan Dhan Yojana, 71% are zero balance, against 64% for private banks released by the ministry, only 28% of the accounts opened under the scheme are active, with about Rs.9,000 crores deposited in these.
3. **Brij Mohan (2018)** analyzed that, only 13.8% of the respondent in Bhubaneswar have access to bank accounts and out of the total respondent who do not have bank account due to various reason are alarming are not aware of PMJDY scheme. Amongst males 78.9% and in 95.08% were not

aware of the scheme. The study concluded that, the banks should make more effort in creating awareness on zero balance account and should aggressively campaign for such scheme.

4. **Rajeev Singh (2019)** discussed the overview of financial inclusion using PMJDY in India. It is revealed that, it is the greatest steps ever taken to eradicate poverty are financial inclusion through PMJDY. It is suggested that, the success of this scheme constant review and regular check is very much essential.

### **Objectives of the Study:**

The major objectives of the study are as follows,

- To study the performance of Pradhan Mantri Jan Dhan Yojana (PMJDY) in India
- To analyse the major strategies and Implications of Pradhan Mantri Jan Dhan Yojana (PMJDY)

### **Highlights of the Pradhan Mantri Jan Dhan Yojana Scheme:**

- Interest on deposit.
- In built accident insurance cover of Rs. 1 lakh with RuPay Debit Card given to the account holder.
- No minimum balance required.
- An additional Rs. 30,000 life insurance cover for the accounts opened up to January, 26, 2015.
- Easy transfer of money across India.
- Beneficiaries of government schemes will get direct benefit transfer in that account.
- After satisfactory operation of the account for 6 months an overdraft facility will be permitted.
- Access to pension, insurance product.
- Accidental insurance cover, RuPay Debit Card must be used at least once in 45 days.
- Availability of overdraft facility up to Rs. 5,000 but in only one account per household preferably lady of the household.

### **Timeline for Financial Inclusion Plan:**

Comprehensive Financial Inclusion of the excluded sections is proposed to be achieved by 14 August, 2018 in two phases as under:

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

- Universal access to banking facilities in all areas except areas with infrastructure and connectivity constrains like parts of North East, Himachal Pradesh, Uttarakhand, J&K and 82 Left Wing Extremism (LWE) districts.
- Providing Basic Banking Accounts and RuPay Debit card which has inbuilt accident insurance cover of ` 1 lakh. Aadhaar number will be seeded to make account ready for DBT payment.
- Financial Literacy Programme.

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

- Overdraft facility up to ` 5000/- after six months of satisfactory operation / history
- Creation of Credit Guarantee Fund for coverage of defaults in A/Cs with overdraft limit up to 5,000/-.
- Micro Insurance
- Unorganized sector Pension schemes like Swavalamban Some of the Phase II activities would also be carried out in Phase I.

In addition, in this phase, coverage of households in hilly, tribal and difficult areas would be carried out. Moreover, this phase would focus on coverage of remaining adults in the households and students.

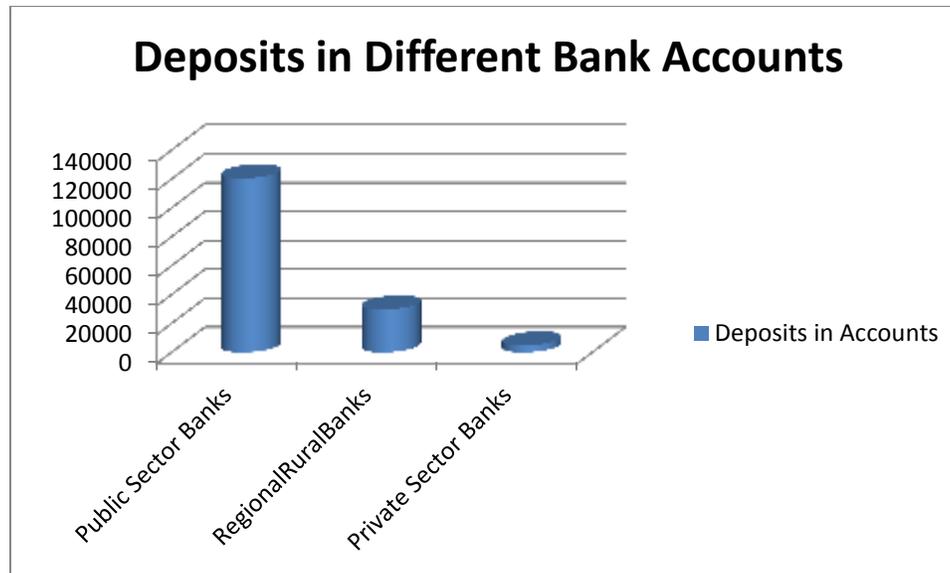
**Performance of Pradhan Mantri Jan Dhan Yojana (in Crores)****Beneficiaries as on 05/01/2022**

<b>Bank Name/ Type</b>	<b>No.of beneficiaries in rural and semi urban area</b>	<b>No.of beneficiaries in urban and metro area</b>	<b>No.of rural and urban female beneficiaries</b>	<b>Total Beneficiaries</b>	<b>Deposits in Accounts</b>	<b>No. of Rupay cards issued</b>
Public Sector Banks	21.84	13.12	19.28	34.95	120562.52	26.77
Regional Rural Banks	7.07	1.02	4.68	8.09	29664.83	3.43
Private Sector	0.70	0.59	0.70	1.29	4689.12	1.10

Banks						
Grand Total	29.60	14.72	24.66	44.33	154916.47	31.30

Source: PMJDY Report

**Graph-1, Total Deposits under PMJDY:**



From the above table, it can be observed that total number accounts opened under PMJDY scheme is 44.33 crores which is huge in size. Very importantly, these accounts have total balance of around 154916.47 crores which show financial power of poor people and downtrodden people when they put together. Banks can exploit this opportunity of serving these people by providing suitable financial products and services. PMJDY has empowered 24.66 crores of females financially and they can now access and use formal financial products and services offered by the bankers. Further, PMJDY has issued 31.30 Rupay debit cards for the usage of banking services to the account holders. Rupay debit card is indigenous payment platform developed by National Payment Corporation of India. Rupay is similar to payment gateways like VISA, MASTER etc.

Further, the above graph also explains the total deposits among the different banks. Public sector banks accounts about Rs 120562.52 crores as deposits then it followed by Regional Rural Banks and Private sector banks constitutes Rs. 29664.83 crores and 4689.12 crores deposits respectively. PMJDY has extensively involved in providing financial awareness and financial education to the people. To create financial awareness and to provide financial education, PMJDY has started financial literacy skilling

centers throughout India and those centers are performing well (Pradhan Mantri Jan Dhan Yojna, 2018). Moreover, PMJDY has 1.26 lakh Bank Mitras. Bank Mitra is a branchless banking which provides banking services in sub-service areas or areas where bank branches are not there.

### **Major Strategy for Pradhan Mantri Jan Dhan Yojana (PMJDY):**

- In order to achieve the above objectives, a broad collaborative strategy with all stake holders is proposed. It is proposed to encourage Public-Private partnerships. Moreover, inter-department convergence and synergies will be gainfully utilised. The existing rural infrastructure of post offices having Gramin Dak Sewaks would be optimally utilized to become Bank Mitr (Business Correspondent) of the Banks. One of the key strategies will be deployment of online fixed point Bank Mitr (Business Correspondent) to deliver basic banking services near to the customer doorstep. There are 1.26 lakh Common Service Centres, out of which only 12,000 are BCs of the Banks.
- The strategy is to take forward the Bank Mitr (Business Correspondent) model for expansion of banking services by modifying it to ensure both operational flexibility and viability of the Bank Mitr (Business Correspondent). Technological innovations like RuPay card and mobile banking would be made use of. Banks will use the RBI's scheme for subsidy on rural ATMs and UIDAI's scheme for subsidy on micro ATMs to augment their resources at the village level.
- Convergence with the National Rural Livelihood Mission (NRLM) in rural areas and National Urban Livelihood Mission (NULM) in urban areas would be sought for in covering each household with bank accounts. The expansion plans of the Department of Telecom to provide telecom connectivity in difficult areas would be effectively utilized for the provision of banking facilities in these areas. Department of Telecom has been requested to ensure that problems of poor and no connectivity are resolved on priority.

### **Implimentation of Mantri Jan-Dhan Yojana (PMJDY) in Mission Mode:**

- ❖ Reaching out - Network expansion and geographical coverage of the banks:
- ❖ Opening of Basic Saving Bank Account of every adult citizen:
- ❖ Financial Literacy and Credit Counselling (FLCC) - Establishing adequate number of Financial Literacy Centres (FLC) & Mechanism to increase financial literacy among the financially excludedsections:
- ❖ Credit Guarantee Fund:
- ❖ Micro-Insurance
- ❖ Unorganized Sector Pension Scheme - Swavalamban:

**Challenges identified in the implementation of the Mission:**

- ❖ Telecom connectivity:
- ❖ Keeping the accounts "Live":
- ❖ Brand awareness and sensitization:
- ❖ Commission to Bank on Direct Benefit Transfer (DBT):
- ❖ Coverage of difficult areas:

**Conclusion:**

Financial Inclusion is a national priority of the Government as it is an enabler for inclusive growth. Financial Inclusion is important as it provides an avenue to the poor for bringing their savings into the formal financial system, an avenue to remit money to their families in villages besides taking them out of the clutches of the usurious money lenders. The efforts to include the financially excluded segments of the society in India are not new. In the campaign launched in the year 2011 by Government of India, about 74,000 villages with population more than 2,000 (as per 2001 census) were covered with banking facilities. In order to provide the much needed thrust a flagship programme called the 'Pradhan Mantri Jan-Dhan Yojana' was announced by Hon'ble Prime th Minister in his Independence Day address on 15 August, 2014. This is a National Mission on Financial Inclusion encompassing an integrated approach to bring about comprehensive financial inclusion of all the households in the country. Hence 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 facility.

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