



Pradhan Mantri Jan-Dhan Yojana: An Evaluation

Ravikumar T*

Abstract

Financial inclusion is a process of providing access and usage of financial services like savings, credit, insurance and payment facilities by the financially excluded people. Initiatives towards financial Inclusion have been taken by the Government of India which includes priority lending, lead bank scheme, nationalisation of banks, Swabhimaan approach and Pradhan Mantri Jan Dhan Yojna (PMJDY). This article evaluates Pradhan Mantri Jan-Dhan Yojana scheme critically and its difference with a previous similar scheme.

Keywords: Pradhan Mantri Jan-Dhan Yojana, India, Financial Inclusion.

1. Introduction

In India, Financial Inclusion means the provision of financial services by the formal financial system to the excluded people at an affordable cost (Leeladhar, 2005).

The efforts to bring financially excluded people into formal financial services have started in 1947 (Rajan, 2009; Chakrabarty, 2011). The efforts include priority lending, lead bank scheme, nationalisation of banks, Swabhimaan approach and Pradhan Mantri Jan Dhan Yojna (PMJDY).

* CHRIST(Deemed to be University), Bengaluru, India;
ravikumar.t@christuniversity.in

The swabhimaan scheme was introduced in the year 2011 by the Government of India (Chakrabarty, 2013). The scheme has successfully covered about 74,000 villages having more than 2,000 population with banking facilities. However, this scheme had few limitations such as access to digital money, accessing micro-credit and accessing micro-insurance. These limitations of Swabhimaan scheme were resolved through Pradhan Mantri Jan Dhan Yojna (PMJDY).

Pradhan Mantri Jan Dhan Yojna (PMJDY) was inaugurated on 15 August 2014 (Pradhan Mantri Jan Dhan Yojna, 2018). This scheme has the following missions:

- Access to finance through the formal financial system
- The opening of basic bank account and provision of Rupay card
- Increase financial literacy
- Credit guarantee fund
- Micro Insurance
- Provision of a pension scheme

2. Objectives of the study and research methodology

The primary objective of this study is to analyse the growth of Pradhan Mantri Jan-Dhan Yojana after its launch. This study is based on secondary data and is descriptive in nature.

3. The approach of Pradhan Mantri Jan-Dhan Yojana

In the year 2011, the Swabhimaan scheme successfully covered about 74,000 villages having more than 2,000 population with banking facilities. However, Swabhimaan scheme did not reach all financially exclude people and this scheme had limited impact (Department of Financial Services, 2018). Pradhan Mantri Jan-Dhan Yojana scheme takes the important learning of Swabhimaan approach and tends to provide a comprehensive approach towards financial inclusion in India.

Important points of differences between “Swabhimaan” and “Pradhan Mantri Jan-Dhan Yojana” are summarised in the following table.

Table 1 Approaches of Swabhimaan and Pradhan Mantri Jan-Dhan Yojana

Swabhimaan	Pradhan Mantri Jan-Dhan Yojana
It covers villages with population greater than 2000 in rural areas	It focuses on households both in rural and urban areas.
The scheme insisted only on account opening. So, there were many dormant accounts.	This approach also insists on account opening and but, the same account is seeded with Direct Benefit Transfer, credit, insurance and pension. So, accounts are very much active.
Debit cards were provided in some cases	RuPay Debit Card are provided
Mobile Banking facility was not there	Mobile banking facility is available
KYC formalities were lengthy and bulky	Simplified KYC/e-KYC is in place
No focus was given on financial literacy	Focus is given on financial literacy especially in rural branches

4. Achievements of Pradhan Mantri Jan-Dhan Yojana

While launching, there was a target of enrolling over 7.5 crores (75 million) households in the scheme and to open their accounts. The target was very much achieved and in fact, the reality exceeded the target given. As on 1st August 2018, the performance of Pradhan Mantri Jan Dhan Yojana is given below:

Table 2 Pradhan Mantri Jan Dhan Yojana

Bank Type	No. of beneficiaries in rural and semi-urban area	No. of beneficiaries in urban and metro area	No. of rural and urban female beneficiaries	Total beneficiaries	Deposits in accounts	Number of Rupay cards issued
Public Sector Banks	14.02	12.03	13.52	26.05	64388.62	19.64
Regional Rural Banks	4.39	0.81	2.85	5.20	14072.06	3.70
Private Sector Banks	0.60	0.40	0.53	1.00	2214.15	0.93
Grand Total	19.02	13.23	16.90	32.25	80674.82	24.27

Source: PMJDY

Note: All figures are expressed in Crores

From the above table, it can be observed that a total number of accounts opened under PMJDY scheme is 32.25 crores which is huge in size. Very importantly, these accounts have a total balance of around 80674 crores. Banks can exploit this opportunity of serving these people by providing suitable financial products and services. PMJDY has empowered 16.90 crores of females financially and they can now access and use formal financial products and services offered by the bankers. Further, PMJDY has issued 24.27 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 and so forth.

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

5. Challenges of Pradhan Mantri Jan-Dhan Yojana

Although the PMJDY scheme performed well in a short period of time, it faces numerous challenges over a long period of time. First, sustaining this performance for a longer period could be one of the major challenges. Other challenges include the following:

1. Keeping the accounts "Live"
2. Creating awareness among people about financial inclusion and PMJDY scheme
3. Covering people from different social status and all areas of the country
4. Identifying appropriate technology to implement mobile financial inclusion

6. Conclusion

"Pradhan Mantri Jan-Dhan Yojana" (PMJDY) has been one of the national policies which have been implemented rigorously. PMJDY concentrates on individuals in rural and urban areas rather than focusing on villages in rural areas. Over a period of time, the scheme has achieved more numbers in terms of account opening well before the target date of 31st January 2015 and even after 2015, the scheme is doing well in terms of account opening, and financial literacy skilling. The most important challenge is to sustain this performance over a period of time.

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