Social Science Journal for Advanced Research
ISSN (Online): 2583-0074
Volume-2 Issue-1 || January 2022 || PP. 28-32 DOI: 10.54741/ssjar.2.1.6

Pradhan Mantri Jan Dhan Yojna: National Mission for Financial Inclusion

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Received: 27-12-2021	Revised: 14-01-2022	Accepted: 27-01-2022

ABSTRACT
Financial stability and prosperity for the entire population are hallmarks of a successful development. The Pradhan Mantri Jan-Dhan Yojana (PMJDY) was launched by the Indian government to fill in the gaps in existing financial inclusion programmes, which have been in place since the country's independence. In order to make banking and insurance available to all of the country's residents, PMJDY has devised a comprehensive financial plan. So, to find out how successful the district's inclusion process is in rural areas, researchers conducted a study. For the study's goals, both primary and secondary data have been acquired. The correlation (r) test can be used to determine the relationship between a person's socioeconomic status and their level of financial inclusion. Findings show that income, access to financial information, and knowledge of PMJDY all play a role in inclusion. The proximity of banks increases the likelihood of inclusion.

Keywords: *national mission, pmjdy, financial inclusive, challenges, bank accounts, features, benefits*

I. INTRODUCTION

There is a general consensus among economists that financial development promotes economic growth and development. As evidenced by empirical studies, the establishment of a strong and sound financial system also contributes to economic growth. Financial inclusion is now a policy goal in many developing nations, especially for people who have been left out of the formal economy by their governments.

Prior to 1969, India's government nationalised its banks and focused on providing credit to those who couldn't afford it, leaving out other important aspects, such as encouraging savings or expanding the payment network. Financial inclusion has always been a top priority in India and has been since then.

While credit was once the primary focus of India's financial inclusion drive, that focus has broadened to include the establishment of bank accounts and the provision of essential financial products like insurance. As a result of other public policy objectives, such as substituting product subsidies with cash transfers, which necessitate that recipients have bank accounts, this change has occurred.

Source: https://www.india.gov.in/spotlight/pradhan-mantri-jan-dhan-yojana-pmjdy

The recently announced Pradhan Mantri Jan-Dhan Yojana (PMJDY) appears to address the majority of issues relating to more concrete and substantive interaction with the poor as part of a financial inclusion strategy to be executed in a mission mode. PMJDY's goal is to provide "access to various financial services, such as availability of basic savings bank accounts, access to need-based credit, remittance facility, insurance and pension to the excluded parts, i.e., weaker sections and low-income groups." In this study, we'll examine the theoretical validity of PMJDY and evaluate it critically.

II. THEORY OF PRADHAN MANTRI JAN DHAN YOJANA

New financial inclusion initiatives are announced on a regular basis by governments, national central banks, and international development organisations like the United Nations (UN). The German bankers' association, for example, launched an "everyman" current account. According to the Community Reinvestment Act of 1997 (CRA), credit must be made available to all residents of a bank's service region. "Mzansi" or "no-frill" bank accounts were introduced in 2004 for people who were financially excluded in South Africa.

Unbranched: Brazil Through the use of bank correspondents (BCS), a mechanism for distributing banking access is employed. It was Kenya's best example of how technology may be utilised to improve financial inclusion. As part of its outreach efforts, PMJDY employs several methods.

Reiterates commitment to quality above quantity as the key to financial inclusion for the long term. The large dormant accounts may be reactivated over time if the emphasis is shifted to cash transactions. As a result, a shift in focus is required in the scheme's design in order to achieve its goals.

Explain why changing financial institutions' mindsets is critical to financial inclusion's long-term survival. As outlined by Chopra (2014), the new financial inclusion programme solves many design challenges. When it comes to the power of bank accounts and overdraft capabilities, overdraft insurance, etc., consumers must be well-educated in order to avoid being exploited by middlemen. Three major issues are raised about Rupay debit cards, which are an important part of the plan. A higher reliance on online biometric-based transactions through the BC model would be desirable, according to sources in the Finance Ministry.

As far as financial inclusion goals were concerned, universality, not just speed or quantity, was crucial. For example, it would be pointless to open two separate accounts for the same purpose if full coverage wasn't achieved and the accounts were not actually used. The RBI would collaborate with banks to ensure that the measures taken were effective. This suggests that both the government and the Reserve Bank of India's perceptions of the pace and content of the financial inclusion drive, as well as the views of sceptics who are sceptical about the campaign mode adopted, have merit.

III. INDIA'S PRADHAN MANTRI JAN DHAN YOJANA

The National Mission for Financial Inclusion, known as the "Pradhan Mantri Jan-Dhan Yojana (PMJDY)", was announced on August 15 and launched on August 28 of this year. The mission's ambitious goal is to provide banking services to every household in the country and to provide each household with a bank account. PMJDY adheres to the "Sab Ka Sath Sab Ka Vikas" philosophy. Six pillars support the mission's goal of universal financial access. This will be accomplished in two stages, as follows:

Phase I (from August 15, 2014 to August 14, 2015)

- The availability of banking services for everyone
- Overdraft facilities and RuPay debit cards will be made available to all households.
- Education in Personal Finance

Phase II (September 15, 2015–September 15, 2018)

- A Credit Guarantee Fund was established.
- Micro-insurance.
- Pension plans in the unorganised sector, such as Swavalamban.

3.1 Methods for Achieving the Aforementioned Goals

We propose a multi-stakeholder collaborative strategy. P3s are promoted in their development. Existing rural post office infrastructure with Gramin Dak Sewaks will be best exploited to become a Bank Mitr (business correspondent) for the banks, utilising cross-departmental convergence and synergies. The Bank Mitr concept is used to expand banking offerings. We'd make use of RuPaycard and mobile banking technology, among other things. Banks will take advantage of the RBI's rural ATM subsidy programme. To ensure that every household has a bank account, the National Rural Livelihood Mission (NRLM) and the National Urban Livelihood Mission (NULM) have been brought together. By utilising the Department of Telecom's development plans to provide telecom connectivity in challenging locations, banks will be able to better serve their customers. As a matter of urgency, the department of telecom has been asked to address issues of poor or non-existent connectivity.

3.2 An Account of Annual Progress

It is clear from the data in Table 1 that making PMJDY more significant requires a long and arduous journey. There has been a dramatic decline in the number of zero-balance accounts, but it is still a significant number, as the table shows. To get to this point, the Aadhaar number must be linked to the overdraft account. However, less than half of new accounts are linked to Aadhaar. Only 0.15 percent of eligible (Aadhaar-linked) accounts have received the overdraft facility as of now.

Table 1: At the beginning of August 2015, below are the latest PMJDY data

Total number of newly established PMJDY accounts	175.6 million accounts
Total accounts with a balance of 0 in PMJDY	80 million accounts
Total accounts for which a RuPay card was issued	155.6 million accounts
Number of accounts with Aadhaar seeding	72.7 million accounts
Number of accounts with overdraft protection given	0.10 million accounts
Pradhan Mantri Suraksha Beema Yojana-Accident Insurance	66.2 million customers
Pradhan Mantri Jeevan Jyoti Beema Yojana's-Life Insurance	22.2 million customers
Atal Pension Yojana-Pesion	588,000 customers

According to the above statistics, the number of people who have taken advantage of accident and life insurance coverage is much lower, and the pension plan has yet to gain traction. Some of the six pillars require the customer to make a conscious decision to spend money (even though it's only a small amount). There is clear evidence in Table 2 that there has been a significant increase in both the number of accounts opened and the balances held under the PMJDY scheme. The public sector banks opened the most bank accounts. In 2014, there were 35.37 million accounts opened, which grew to 226.14 million in 2017. Access to rural residents, particularly in rural areas, is improving for both regional rural banks and private sector banks. Table 1 and Table 2 shows the financial performance of PMJDY since 2014.

	18 Sep, 2014			**31 Aug, 2015**			**29 Jun, 2016**			**29 Mar, 2017**		
Bank	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total
Public Sector	16.28	19.09	35.37	61.90	75.30	137.20	77.15	97.82	174.98	102.77	123.37	226.14
Private Bank	0.41	0.47	0.88	2.80	4.20	7.00	3.21	5.10	8.31	3.65	5.49	9.14
Rural Regional Bank	6.01	0.87	6.88	4.60	26.80	31.40	5.59	34.00	39.59	39.79	6.58	64.37

Source: https://www.pmjdy.gov.in/

IV. FEATURES OF THE PRADHAN MANTRI JAN-DHAN YOJANA

On August 28, 2014, the programme was unveiled. This program's introduction is intended to benefit more than 50% of the accounts of facilities guaranteed in the nation, and it was started in the name of women and approximately 59% of rural women.

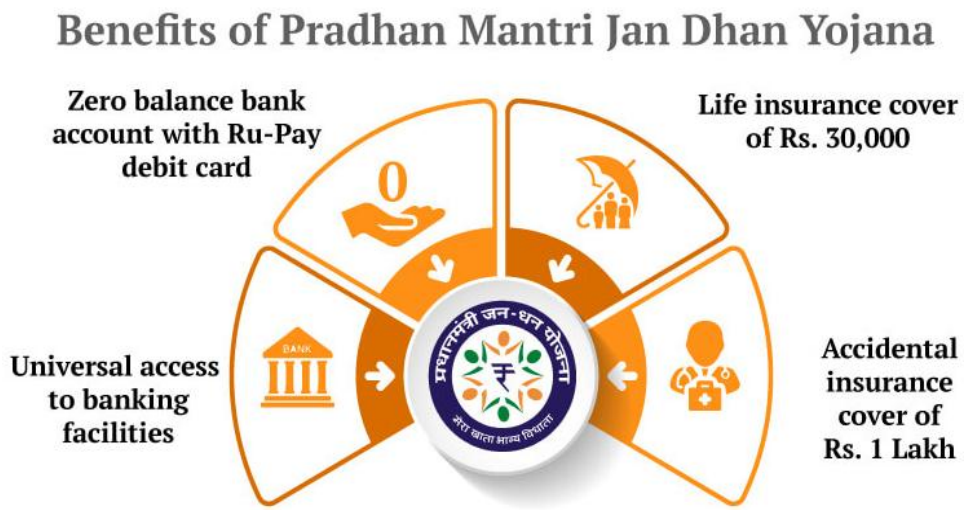
The PMJDY scheme offers a variety of intriguing features, including:

1. There is no requirement to reach a specific minimum balance level.
2. The interest rate is determined by the bank's savings account.
3. It's simple, quick, and practical to transfer money.
4. A public overdraft facility is available.

Under PMJDY, individuals will open accounts with a zero balance. People must keep a specific amount of money in their account in order to use the check service, though. The user will not be charged anything to open an account with the PMJDY system.

V. BENEFITS OF PRADHAN MANTRI JAN DHAN YOJANA

To open a PMJDY account, a person must be at least ten years old and a resident of India. As a final requirement, the applicant must not have a bank account. PMJDY has a number of advantages, including:



Source: https://www.canarahsbclife.com/blog/

1. Accidental insurance of Rs. 1 lakh is included in the RuPay plan.
2. After August 20, 2014, the beneficiary can be covered for Rs. 30,000 in the event of death if the account is opened before January 31, 2015.
3. The programme provides access to several types of insurance and retirement plans.
4. The Direct Benefit Transfer option is the best option for federally subsidised programme users.
5. Interest is paid on deposits made to the scheme's bank account.
6. There is no minimum balance requirement for individuals to engage in the programme. In order to use the check service, they must maintain a certain amount of money in their account.
7. It's possible to get an overdraft for six months if you keep your account in good standing.
8. A Rs.5,000 overdraft is granted to one family account. Typically, this service is rendered to the lady of the house.
9. Personal Accident protection can only be requested after the RuPay Cardholder has completed a successful non-financial or financial transaction. A PMJDY qualified transaction is one that occurs within 90 days following the accident. In order to complete the transaction, it must be done at a bank branch, E-COM, POS, or ATM like Bank Mitra, or a similar facility.
10. Account holders can check their balance on the go with mobile banking.

5.1 Challenges

There have been numerous instances where people have opened multiple accounts with different banks. Government budgetary preparations for incentives have not been made, which could jeopardise the banks' financial standing. Insurance providers must set a small premium to cover account holders' risks; otherwise, the state-owned LIC may suffer financial losses. Since the overdraft facility is at the discretion of the relevant institutions, it needs to be adequately controlled. The overdraft facility may not be extended by many banks, which would contradict the objective. If forced to achieve the goal, business contacts may abuse their power, making life miserable for those who live below the poverty line.

VI. CONCLUSION

The results of this study are useful in understanding the impact of various factors on rural families' access to banking services. These are the conclusions: Their financial inclusion is a logical byproduct of the respondents' high income and educational profiles. It is made clear how important a role PMJDY knowledge has played in connecting the underserved with traditional banking institutions. The likelihood of respondents being financially included increases with proximity to the bank. Increased inclusion has resulted from the availability of financial information through a variety of sources (banks, newspapers, television, acquaintances, etc.). As a result, banks and policymakers should coordinate closely to spread financial information since those initiatives are thought to have a direct impact on their business. Only one respondent reported receiving financial information from the bank, indicating that efforts by banks to disseminate financial information have been unsuccessful. We have two recommendations in this regard:

1. Banks should persuade government officials and policy makers to disseminate financial information because they believe that this will directly affect their business; and
2. Additionally, banks ought to show more interest in disseminating financial information. It is advised that banks make an effort to reach out to low-income households in rural areas because doing so is both part of their social responsibility and a potential market for the banks.

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