

JAN DHAN YOJANA A MEGA GAME CHANGER

Dr. Shahin Razi

"The Jan Dhan Yojana is an extraordinary effort by India on financial inclusion of its people".

– World Bank Chief, Jim Yong Kim

The Pradhan Mantri Jan Dhan Yojana (PMJDY), the biggest financial inclusion initiative in the world, was announced by the Prime Minister Shri Narendra Modi on 15th August, 2014 from the ramparts of the Red Fort and launched by him on 28th August, 2014 across the country. While launching the Yojana, the Prime Minister described the occasion as a festival to celebrate the liberation of the poor from a vicious cycle of poverty. The Prime Minister referred to an ancient Sanskrit verse "Sukhasya Moolam Dharma, Dharmasya Moolma Artha, Arthasya Moolam Rajyam" – which puts the onus on the state to involve people in economic activity. "This Government has accepted this responsibility," the Prime Minister said. The Prime Minister has also sent email to an estimated 7.25 lakh bank employees, exhorting them to help reach the target of 7.5 crore bank accounts, and bring freedom from financial untouchability.

The World Bank Chief, Jim Yong Kim said that the "strong visionary leadership" of Prime Minister Narendra Modi has resulted in "extraordinary effort" by India on financial inclusion of its people.

The World Bank in a report said by January 2015, 125 million bank accounts had been opened under the Pradhan Mantri Jan Dhan Yojana launched in August, 2014, for comprehensive financial inclusion with the goal of opening a bank account for every household in India.

"This is an extraordinary Indian effort," Kim said at a panel discussion in Washington, organized on the sidelines of the annual Spring meeting of the International Monetary Fund and the World Bank.

Kim also said access to financial services can serve as a bridge out of poverty. "We have set a hugely ambitious goal – universal financial access by 2020 – and now have evidence that we're making major progress," he said.

"This effort will require many partners-credit

card companies, banks, micro-credit institutions, the United Nations, foundations, and community leaders. But we can do it, and the payoff will be millions of people lifted out of poverty," he added.

Pradhan Mantri Jan Dhan Yojana (PMJDY) on 20 January 2015 made it to Guinness Book of World Records. Indian Banks opened 11.50 crore accounts under the Pradhan Mantri Jan-Dhan Yojana in a short span of five months. The feat was commended by the Guinness Book of World Records.

Out of the total account opened, 5.68 crore accounts belonged to male and 5.82 crore account belonged to females. In percentage terms, 49.37% accounts belonged to male while 50.63% accounts belonged to females.

6.84 crore accounts were opened in rural areas which is 59.49% of the total accounts opened while in urban area 4.66 crore accounts were opened which is 40.51%.

In August 2014, Indian Government set a target of opening 10 crore accounts to pass on benefits of various social security schemes to the account holders.

Now, Government will transfer annual subsidy of around 51,029 crore rupees directly to bank accounts of 15.45 crore beneficiaries, plugging system leakages.



What is Jan Dhan Yojana (Bank Account for Every Indian)

Pradhan Mantri Jan Dhan Yojana (PMJDY) is an initiative with a target to provide bank account to every Indian household. This would be a normal savings bank account.

The PMJDY, a national mission on financial inclusion, has the objective of covering all households in the country with banking facilities and having a bank account for each household. Financial literacy has been accorded priority under the PMJDY. A standardized financial literacy material has also been prepared in vernacular languages to create awareness about the Yojana. It is estimated to cover 7.5 crore households with at least one account under this Yojana.

The Pradhan Mantri Jan Dhan Yojana (PMJDY) lies at the core of our development philosophy of 'Sab Ka Sath Sab Ka Vikas'. With a bank account, every household gains access to banking and credit facilities. This will enable them to come out of the grip of moneylenders, manage to keep away from financial crises caused by emergent needs and most importantly, benefit from a range of financial products. As a first step, every account holder gets a RuPay Debit Card with a ₹ 1,00,000 accident cover. Those opening accounts under PMJDY till January 16, 2015 got life insurance cover of ₹ 30,000/-. In due course, they are to be covered by other insurance and pension products.

Highlights of the PMJDY

The Present Plan : Comprehensive Financial inclusion of the excluded sections under six pillars is proposed to be achieved by August 15, 2018 in two phases Viz :

Phase – 1, from August 15, 2014 to August 14, 2015 envisages :

- i) Universal access to banking facilities for all households across the country through a bank branch or a fixed point Business Correspondent (BC) within a reasonable distance.
- ii) To cover all households with at least one Basic Banking Accounts with RuPay Debit card having inbuilt accident insurance cover of ₹ 1 lakh. Further an overdraft facility upto ₹ 5000 will also be permitted to Aadhaar enabled accounts after satisfactory operation in the account for 6 months.
- iii) Financial literacy programme which aims to take financial literacy upto village level.
- iv) The Mission also envisages expansion of Direct Benefit Transfer (DBT) under various Government Schemes through bank accounts of the beneficiaries.
- v) The issuance of Kisan Credit Card (KCC) as RuPay Kisan Card is also proposed to be covered under the plan.

Phase – II from August 15, 2015 to August 14, 2018 :

- i) Providing micro-insurance to the people.
- ii) Un-organised sector Pension schemes like Swavlamban through the Business Correspondents.

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.

There are many benefits of Jan Dhan account for the Indians :

1. It is a zero balance savings account.
2. Account holder will receive a kit containing cheque book, financial literacy and pass book.

Pradhan Mantri Jan-Dhan Yojana (Accounts opened as on 31.03.2015)

| Sl. No. | | No. of Accounts (In Lakhs) | | | No. of RuPay Debit Cards (In Lakhs) | Balance in Accounts (In Lakhs) | No. of Accounts with Zero Balance (In Lakhs) |
|---------|----------------------|----------------------------|---------------|----------------|-------------------------------------|--------------------------------|--|
| | | Rural | Urban | Total | | | |
| 1. | Public Sector Banks | 625.35 | 529.09 | 1154.44 | 1081.10 | 1218505.25 | 661.82 |
| 2. | Regional Rural Banks | 217.11 | 390.08 | 256.11 | 178.22 | 257711.10 | 156.16 |
| 3. | Private Banks | 359.87 | 250.79 | 61.06 | 55.49 | 90813.06 | 34.13 |
| | Grand Total | 878.44 | 593.18 | 1471.63 | 1314.82 | 1567029.41 | 852.13 |

- However this would vary from bank to bank and account usage.
3. Every account holder will get RuPay Debit card (which is India's domestic debit card) included in the welcome kit. RuPay card can also be used for eCommerce transactions.
 4. Person will also get Aadhar number on the spot.
 5. Family of account holder will get accident insurance cover of ₹ 1,00,000.
 6. Life cover of ₹ 30,000 was declared as an incentive for those opening the account by 26 January, 2015. This life cover would be provided by India's largest insurance company – Life Insurance Corporation of India.
 7. Overdraft (loan) facility of ₹ 5000 would be provided once account holder completes 6 months and has kept account active.
 8. Loan amount would be increased to ₹ 15,000 if repayment is done on-time by the person, Of course this would depend on each bank.
 9. Overdraft facility would benefit individuals who had been relying on money lenders charging high interest rates.
 10. However in order to avoid overdraft frauds, only Aadhar linked accounts would be eligible for overdraft facility.
 11. Farmers' dependency on money lenders would reduce as they've been relying on money lenders especially in rural areas. Once trapped by money lenders, whole family's future is ruined.
 12. Mobile banking would be available and technical platform will be built connecting all the banks and telecom operators so that customers can access mobile banking facility with ease.
 13. Account holder will also get interest on deposit and access to pension and insurance products.
 14. Money transfer can be done across Indian bank.
 15. Account transfer from one branch to another is also possible since all the accounts opened are through Core Banking System (CBS).

Six Basic Pillars of PMJDY

1. Universal access to banking facilities.
2. Providing Basic banking accounts.
3. Financial Literacy and Credit Counselling (FLCC).

4. Credit Guarantee Fund.
5. Micro Insurance.
6. Unorganized sector Pension schemes like Swavlamban.

Action Plan for Implementing PMJDY

- Keeping the stiff targets in mind, in the first phase, the plan would focus on first three pillars in the first year starting from August 15, 2014.
- In order to achieve this plan, phase wise and state wise targets for banks have been set up for the period August 15, 2014 to August 14, 2015.
- In order to achieve a "demand" side pull effect, it would be essential that there is branding and awareness of Business Correspondent model for providing basic banking services, Banking Products available at BC outlets and RuPay Cards. A media plan for the same is being worked out in consultation with banks.
- A Project Management Consultant/Group would be engaged to help the Department implement the plan.
- It is proposed to launch the programme simultaneously at National level in Delhi, at every State capital and all district headquarters.
- A web-portal would be created for reporting/monitoring of progress.
- Roles of various stakeholders like other Departments of the Central Government, State Governments, RBI, NABRD, NPCI and others have been indicated.
- Gram Dak Sewaks in rural areas are proposed as Business Correspondents of Banks.
- Department of Telecom has been requested to ensure that problems of poor and those with no connectivity are resolved.

Financial inclusion is one of the top most priorities of an under developed country. Exclusion of a large number of people from any access to financial services inhibits the growth of a country. Pradhan Mantri Jan Dhan Yojana (PMJDY), is the biggest financial inclusion initiative in the world. Against the original target of opening bank accounts for 7.5 crore uncovered households in the country, by 26th January, 2015, banks have already opened 11.50 Crore accounts as on, 17th January, 2015 after conducting survey of 21.02 crore households in the country. Guinness Book of World Records has also

recognized the achievements made under Pradhan Mantri Jan Dhan Yojana (PMJDY) and has given certificate stating that the "Most bank accounts opened in one week as part of the Financial Inclusion Campaign is 18,096,130 and was achieved by the Department of Financial Services, Government of India from 23rd to 29th August 2014." The survey was conducted in about 2.27 lakh Sub Service Areas (SSAs) in rural areas and in urban areas in a record time of 4 months. Out of the accounts opened, 60% are in rural areas and 40% are in urban areas. Share of female account holders is about 51%.

RuPay cards have been issued to more than 10 crore beneficiaries who will get a benefit of personal accidental insurance of ₹ 1 lakh under the Yojana. In addition there is a life insurance cover of ₹ 30,000 for eligible beneficiaries. A deposit of ₹ 9,188 crore has been mobilized in the accounts opened under PMJDY.

The PMJDY is a game changer for the economy as it has provided the platform for Direct Benefits Transfer (DBT) which, in turn, will help in plugging leakages in subsidies and thereby provide savings to the exchequer. Under the PAHAL scheme which is the Direct Benefits Transfer in LPG subsidy, an amount of ₹ 1,757 crore has been transferred to the beneficiary accounts through the banking network since 15th November, 2014. So far 19 schemes out of 35 DBT schemes have been rolled-out across the country, including MGNREGS in 300 districts. The State Governments have also been requested to transfer cash / benefits directly in the bank accounts of beneficiaries thereby cutting layers in the delivery process.

The earlier campaign on financial inclusion started on 2011 had a limited objective. The focus was on the coverage of villages with population of 2000 or more with banking services. The major shift in PMJDY is that households are targeted instead of only villages as targeted earlier. Both rural and urban areas are covered this time as against only rural areas targeted earlier. The present plan pursued digital financial inclusion with special emphasis on monitoring by a Mission headed by the Finance Minister. A mission office comprising of bankers, IT professionals and data analytic was set up for coordination, collation and follow up with various State Governments, banks and other stakeholders. There was weekly monitoring of the efforts made by the Banks in PMJDY. Banks organized account opening camps on every Saturday. Financial literacy camps with a counter for Aadhar enrolment and insurance

companies were also part of camps organized by the Banks.

To provide universal access to banking facilities for all households across the country through a bank branch or a fixed point Business Correspondence (BC) called Bank Mitra, 1.23 lacs Bank Mitra have been set-up in the country. Steps are being taken to ensure that the Bank Mitra are provided with device capable of on line interoperable transactions using RuPay cards and Aadhar enabled payment systems. Use of RuPay cards at other access points will help in reduction in cash transactions and making them digital will move the economy towards a cashless society.

Conclusion

Old vs New Scheme

Lack of access of financial services hinders the growth of the country. Previous governments strived to address this challenge. The previous Government had also emphasized on financial inclusion but the focus was on villages rather than households.

A financial inclusion scheme 'Swabhiman' was launched in 2011. But under this scheme, out of 5.92 lakh villages in the country only 74,000 could be covered. The major change with PMJDY is that households are being targeted instead of only villages as earlier. Moreover, the Swabhiman focused on rural areas only, whereas the new scheme has attached equal importance to urban areas as well.

Dormant Accounts : A Big Worry

The deposits so far look impressive but that only one-third are active is cause for alarm. Most of the accounts opened are 'zero balance' accounts. The official figure indicates that 72 per cent of the newly-opened accounts are dormant. As on January 27, 2015 the total number of accounts opened under the scheme stood at 12.51 crore, out of these 8.25 crore are 'zero balance' accounts. Deposits in these accounts crossed ₹10,000 crore. Under PMJDY, to get all benefits such as overdraft upto ₹ 5,000, life insurance coverage of ₹ 30,000, accidental issuance of ₹ 1,00,000, account holders need to keep their account active. Dormant account causes big worry because if people are not motivated enough to keep their account active, it would adversely impact the Government's plans to make direct benefit transfer universal to reduce the subsidy burden by plugging the holes (leakages). The Government needs to incentivize the banks to take up measures under their financial literacy programmes to motivate people

to keep their account active. A higher transaction commission under direct transfer can be another incentive.

The Business Correspondence Model

The real success of the scheme is heavily dependent on the operationalisation of an efficient BC model. It is true that we do not have adequate banking infrastructure across the country especially in rural India. The BC model would provide the banks much-needed service support. However, they need to be adequately compensated as one per cent transaction fee is far less than necessary. The Government has agreed 'in principle' for two per cent fee. However, the BCs have pointed out that a three per cent fee minus any service tax would make the model very effective. Moreover, we need fixed-point BCs and the India Post, with 1.55 lakh post offices with nearly 90 per cent in the rural areas, can make the real change in terms of an efficient service delivery system.

The Way Forward

Going forward, we need to dump account-centric approach. From day one, the focus was on increasing the numbers. Higher numbers helped in entering into Guinness World Records. But for meaningful change, service should reach the masses efficiently and timely. Another challenge is making the PMJDY an effective tool for direct benefit transfer and for this unique identification 'Aadhar' must be seeded with all accounts. So far nearly 30 per cent Aadhar has been seeded under PMJDY. The banks need to raise the awareness of the customers for Aadhar seeding and to use various channels including SMS, internet banking, ATMs for seeding of Aadhar.

Moreover, nearly two crore new account-holders have not yet received their RuPay cards. The process should be quick and time-bound.

Finally, the scheme will only be successful, if efforts are made to spread financial literacy. Financial literacy would help in keeping majority of accounts active. Banks must be asked to make efforts in coordination with various agencies and existing financial literacy centres to spread awareness on PMJDY, use of RuPay cards, insurance, overdraft etc.

From Jan Dhan to Jan Suraksha

Three new yojanas have been added to the Pradhan Mantri Jan Dhan Yojana.

The Government has launched three ambitious insurance and pension schemes aimed at ensuring financial inclusion for all.

Pradhan Mantri Suraksha Bima Yojana (PMSBY) is an accident insurance scheme wherein a person can get an insurance cover of ₹ 2 lakh on payment of a premium of ₹ 12 annually. People aged between 18 and 70 years can apply for the scheme. Insurance covers death and permanent disability due to accident.

Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) is a life insurance scheme for people aged between 18 and 50 years. Under the scheme a person, after paying a premium of ₹ 330 annually, is entitled to an insurance cover of ₹ 2 lakh. Life Insurance amount for the family also after the account holder's death is provisioned.

Atal Pension Yojana (APY)

Maximum investment, maximum benefits during old age. It is exclusively meant for those working in the unorganized sector and aged between 18 and 40 years and are not covered in any of the pension scheme of the Central or the State Government. Monthly pension will be based on the contribution i.e. from ₹ 42/- to ₹ 210/- per month for entry at 18 years. People subscribing to this policy will get a monthly pension ranging from ₹ 1,000 to ₹ 5,000 on notional payment of a premium with the amount varying for different categories from the age of 60 years.

People can apply for all the three schemes but APY is reserved for the unorganized sector.

The premium will be deducted from the account holder's savings bank account through 'auto debit facility'. The person would be eligible to join these schemes through one savings bank account only.

'Jan Dhan Yojana' scheme implemented by public sector banks, whereby 100 million bank accounts have been opened for those who were unbanked, is unequivocally a "game-changer".

It provides an unprecedented scaffolding and a spring board for meaningful financial inclusion and concomitantly, substantial financial deepening of our economy.

Indians, specially from the rural and semi-urban areas, the underprivileged and the poor have reasons to celebrate this financial inclusion.

(The author is an Economist and Academician Emeritus Fellow - UGC. Email : shahin.razi@gmail.com)