

PRADHAN MANTRI JAN DHAN YOJANA A MEGA FINANCIAL INCLUSION PROJECT

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Majority of the people in India lives in rural parts of the country. Hence, development of rural India is a key to the economic growth of the country. Financial inclusion or inclusive financing is the delivery of financial services at reasonable costs to sections of underprivileged and low-income segments of society. In India, financial inclusion first made its mark in 2005, in a small village of Mangalam in Puducherry, where all households were provided banking facilities.

Financial Inclusion-A Long Journey:

The efforts to include the financially excluded segments of the society into formal financial system in India are not new. In 2011, the Government of India gave a serious push to the programme by undertaking the 'Swabhimaan' campaign, which aimed to bring banking services to large number of rural areas. However, the 'Swabhimaan' campaign was limited in its approach in terms of access and coverage. Convergence of various aspects of comprehensive financial inclusion like opening of bank accounts, digital access to money (receipt/

credit of money through electronic payment channels), availing of micro credit, insurance and pension was lacking. The operation focused only on the supply side by providing banking facility in villages of population greater than 2000 but the entire characteristics 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.

From the table given below one can see that the number of households with bank accounts in rural areas increased from 30 per cent to 54 per cent, between 2001 and 2011. A steady 18.2 per cent rise was also witnessed in urban households availing banking services. With this it can be said that financial inclusion has played a remarkable role in rural areas of the country.

Pradhan Mantri Jan Dhan Yojana (PMJDY):

PMJDY was introduced by Prime Minister Shri Narendra Modi on August 15, 2014 to ensure



Learning from the past campaign and shift in approach:

S. No.	Earlier Approach (Swabhiman)	New Approach (Pradhan Mantri Jan Dhan Yojana)
1	Limited geographical coverage and focus on villages with population greater than 2000 covered.	Focus on households, coverage of the whole country.
2	Only rural.	Both urban and rural.
3	Bank 'Mitr' (business correspondent) was visiting on fixed days.	Bank 'mitr' in each sub-service area comprising 1000-1500 households (3 to 4 villages) to visit other villages in sub-service areas on fixed days.
4	Off-line account opening.	Only online account.
5	Focus on account opening and large number of accounts remained dormant.	Account opening to be integrated with DBT, credit, insurance and pension.
6	Inter-operability of accounts was not there.	Inter-operability through RuPay Debit Card, AEPS etc.
7	No use of Mobile Banking.	Mobile wallet and USSD based mobile banking to be utilized.
8	Cumbersome know your client (KYC) formalities.	Simplified KYC/e-KYC in place as per the guidelines of RBI.
9	No guidelines on the remuneration of the bank 'mitr'.	Minimum remuneration of the Bank Mitr (Business Correspondent) to be ₹ 5000/- (Fixed+ Variable)
10	A recent RBI survey finds that 47% of Bank Mitr are untraceable.	Viability and sustainability of Bank Mitr (Business Correspondent) is identified as a critical component.
11	Monitoring left to banks.	Financial Inclusion campaign in Mission Mode with structured monitoring mechanism at Centre, State and District level.
12	Financial literacy had no focus.	The rural branches of banks to have a dedicated Financial Literacy Cell.
13	No active involvement of states / districts.	State level & District level monitoring committees to be set up.
14	No brand visibility of the Programme & Bank Mitr (Business Correspondent).	Brand visibility for the programme & Bank Mitr (Business Correspondent) proposed.
15	Providing credit facilities were not encouraged.	OD limit after satisfactory operations/credit history of 6 months.
16	No grievance redressal mechanism.	Grievance redressal at SLBC level in respective states.

Table 1: Position of Households availing banking services

Census Households	2001			2011		
	Total number of households (crore)	Number of households availing banking services (crore)	Percent	Total no. of households (crore)	Number of households availing banking services (crore)	Percent
Rural	13.82	4.16	30.1	16.78	9.14	54.5
Urban	5.37	2.66	49.5	7.89	5.34	67.7
Total	19.19	6.82	35.5	24.67	14.48	58.7

Source: Census, Government of India

'access to various financial services to the excluded sections i.e. weaker sections and low income groups. The scheme envisions universal access to banking facilities with at least one basic banking account for every household. This will promote financial literacy, access to credit and insurance. The beneficiaries will receive a RuPay Debit Card having inbuilt accident

insurance cover of Rs1 lakh. In addition, there is a life insurance cover of Rs. 30,000 to those who opened their bank accounts for the first time between 15 August 2014 and 26 January 2015. The scheme has entered the Guinness Book of World Records for opening the majority of bank accounts in the first week of the launch of the scheme.

Table 2: Financial Inclusion: A snap shot

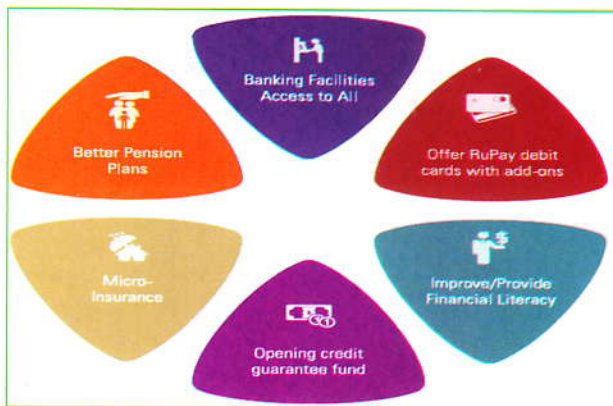
Particulars	2010	2011	2012	2013	2014
Banking outlets in villages					
Branches	33378	34811	37471	40837	46126
Villages covered by BCs	34174	80802	141136	221341	337678
Other modes	142	595	3146	6276	
Total	67674	116208	181753	268454	383804
Urban locations through BCs	447	3771	5891	27143	60730
Basic saving bank accounts-branches					
No in millions	60.19	73.13	81.20	100.80	126.00
Amount in billions	44.33	57.89	109.87	164.69	273.3
Basic saving bank accounts-BCs					
No in millions	13.27	31.63	57.30	81.27	116.90
Amount in billions	10.69	18.23	10.54	18.22	39.00
OD facility availed in BSBD account					
No in millions	0.18	0.61	2.71	3.92	5.90
Amount in billions	0.10	0.26	1.08	1.55	16.00
KCCs (No. in millions)	24.31	27.11	30.24	33.79	39.90

Source: RBI, Annual Report 2013-14

PMJDY was conceived with a view to provide comprehensive and inclusive growth. This is best reflected in Prime Minister Modi's words, "Sab Ka Saath, Sab Ka Vikaas". Targeted at those who have never had a bank account in their lives, the scheme has simplified the whole process of opening an account.

The PMJDY is being implemented in two phases:

In the first phase (till August 14, 2015), every account holder will receive a RuPay debit card, and will be able to use basic mobile banking services, such as balance enquiry. Further, every account holder under the scheme will get an accident insurance cover of Rs.1 lakh. Bank accounts opened between 28 August 2014 and 26 January 2015 would also get life insurance cover worth Rs30,000. These accounts are also eligible for over draft facility of Rs.5000



Source: <http://pmjdy.gov.in>

based on performance during the first six months. There will also be a financial literacy programme, expansion of direct benefit transfer (DBT) under various schemes through the beneficiaries' bank accounts and issuance of RuPay Kisan Card.

In the second phase (from August 2015 to 14 August 2018), micro insurance and unorganized sector pension schemes would also be provided. Bank accounts opened after 26 January 2015 would be eligible for life insurance cover and micro insurance in this phase. As it is difficult to spread bank branches across all unbanked areas, Business Correspondents (BCs) will be deployed on a large scale to help carry out the plan.

The programme for financial inclusion under the PMJDY is based on six pillars:

- The country will be divided into a number of sub-service areas (SSA), each with 1,000-1,500 households. One banking outlet (branch or BC) will be established within a distance of five km from every SSA by August 2015.
- One bank account will be ensured for every household by August 2015, along with a RuPay debit card and an accident cover worth Rs.1 lakh. If the credit history is satisfactory during the first six months, the account holder will become eligible for an overdraft worth Rs.5,000.
- Financial literacy programmes will be expanded by August 2015 to spread awareness about

financial services.

- A Credit Guarantee Fund will be created before August 2018 to cover potential defaults in overdrafts.
- All willing and eligible persons will be provided with micro-insurance by August 2018, and
- Pension payments under the Swavalamban Yojana for workers in the unorganised sector will be paid through bank accounts by August 2018.

The implementation strategy

The implementation strategy of the plan is to utilize the existing banking infrastructure as well as expand the same to cover all households. While the existing banking network would be fully geared up to open bank accounts of the uncovered households in both rural and urban areas, the banking sector would also be expanding itself to set up an additional 50,000 business correspondents (BCs), more than 7000 branches and more than 20,000 new ATMs in the first phase. Keeping the firm targets in mind, in the first phase, the plan would focus on first three pillars in the first year starting from 15th August, 2014. The target for setting up additional 50,000 BCs is quite challenging given the constraints of telecom connectivity. In order to achieve this plan, phase wise and State wise targets for Banks have been set up for Banks for the period 15th August, 2014 to 14th August, 2015. Role of various stakeholders like other departments of the Central Government, state Governments, RBI, NABARD, NPCI and others have been indicated. Gram Dak Sewaks in rural areas are proposed as Business Correspondent of Banks. Department of Telecom has been requested

to ensure that problems of poor and no connectivity are resolved.

Why is it important?

Right now, most Indian households rely on money-lenders and other chit fund sources for credit to fulfil savings needs. Bank accounts for all may solve this problem. Easy access to the banking system (and freedom from scam-artists and moneylenders) can materially lift India's economic prosperity. Financial accessibility as promised by the PMJDY would certainly help generate higher saving. If bank accounts become the norm, it will also be easier for the Government to directly pay all subsidies into the accounts of the poor, instead of dispensing them through the vast leaky network of government agencies. The PMJDY promises an overdraft or credit facility this would increase the poor's access to credit, and thereby positively affect welfare, confidence of decision making and trust in carrying economic activities. Further, insurance coverage of Rs one lakh would help poor account holders mitigate risk and deal with shocks.

Conclusion

"Sab ka Saath, Sab ka Vikas" – the slogan can only be fulfilled by proper implementation of PMJDY-a mega tool for financial inclusion. Financial strengthening means progress of poor and deprived class leading to enhancement in economic well being of the society.

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SPECIAL BENEFITS UNDER PMJDY SCHEME

1. Interest on deposit
2. Accidental insurance cover of Rs.1.00 lakh
3. No minimum balance required.
4. Life insurance cover of Rs.30, 000
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. Accidental Insurance Cover, RuPay Debit Card must be used at least once in 45 days
10. Overdraft facility up to Rs.5000/- is available in only one account per household, preferably lady of the household