

PMJDY : A CONCEPTUAL ANALYSIS AND INCLUSIVE FINANCING

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ABSTRACT

Inclusive financing is the delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of society, in contrast to exclusive financing where those services are not available or affordable. An estimated 2.5 billion working-age adults globally have no access to the types of formal financial services delivered by regulated financial institutions. Inclusive financing is an innovative concept which enables the alternative techniques to promote the banking habits and acts as enabler in reducing the poverty and the launch of Pradhan Mantri Jan Dhan Yojana (PMJDY) by Government of India is in that direction. The scheme is not only limited to opening of a bank account but has other benefits with it viz. zero balance bank account with RuPay debit card, in addition to accidental insurance cover of Rs 1lakh, those who open accounts by January 26, 2015 over and above the Rs 1 lakh accident, they will be given life insurance cover of Rs 30,000, etc. This paper is an attempt to discuss the overview of financial inclusion using PMJDY in India

Key Words: PMJDY, Inclusive Financing, Banking System, Financial Services

Introduction

According to a nation-wide survey on financial behavior, India has the highest account dormancy rate. The survey conducted by the Financial Inclusion or Inclusive Financing insights program, operated by global strategic research consultancy InterMedia and supported by the Bill & Melinda Gates Foundation, argued that the majority of Indians borrow money from family and friends and not from financial institutions. Financial inclusion is delivery of banking services at an affordable cost ('no frills' accounts,) to the vast sections of disadvantaged and low income group. Unrestrained access to public goods and services is the sine qua non of an open and efficient society. As banking services are in the nature of public good, it is essential that availability of banking and payment services to the entire population without discrimination is the prime objective of the

public policy." – Indian Institute of Banking and Finance.

PMJDY) is National Mission for Financial Inclusion is based on "**Sab ka sath sab ka vikas**" i.e. inclusive growth to ensure access to financial services, namely, Banking/ Savings & Deposit Accounts, Remittance, Credit, Insurance, Pension in an affordable manner, launched by Shri. Narendra Modi on 28 August 2014.

Literature Review

1. Mr. Nanjibhai D. Ranparia in his Research Paper on, "Financial Inclusion in Gujarat: A Study on Banker's Initiatives" includes study of different financial inclusion aspects and evaluates progress and current status of financial inclusion of the state³.

2. Dr. Anupama Sharma and Ms. Sumita Kukreja in, "An Analytical Study: Relevance of Financial Inclusion for Developing Nations", states the role of financial inclusion, in strengthening the India's position in relation to other countries economy. The study gathered data through secondary sources including report of RBI, NABARD, books on financial inclusion and other articles written by eminent authors.

Objectives

- ❖ To get a clear understanding of PMJDY
- ❖ To understand the concept of inclusive financing
- ❖ Implications of PMJDY

History of Financial Inclusion in India

Mr. K C Chakraborty, Chairman, Indian Bank introduced the concept of financial inclusion in 2005, in India. All the households in Mangalam village were provided with banking facilities for the first time. Relaxation of KYC norms encouraged many households to get access to banking services. As financial inclusion initiative RBI introduced many a schemes like expansion of bank branches, POSBs, Sector wise lending, Establishment of RRB's, SHG's etc.

Despite of these initiatives, RBI did not reach the expected level of inclusions. Thus to ensure greater financial inclusion it took support from various SHG's and NGO's and requested them to act as intermediaries through use of "Business Facilitator and Business Correspondent Model".

PMJDY

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banking habits and acts as enabler in reducing the poverty and the launch of PMJDY by Government of India is in that direction. The scheme is not only limited to opening of a bank account but has other benefits with it viz. zero balance bank account with RuPay debit card, in addition to accidental insurance cover of Rs 1 lakh, those who open accounts by January 26, 2015 over and above the Rs 1 lakh accident, they will be given life insurance cover of Rs 30,000, etc.

Benefits of PMJDY Scheme

- ✚ Interest on deposit.
- ✚ Accidental insurance cover of Rs.1.00 lac
- ✚ No minimum balance required.
- ✚ Life insurance cover of Rs.30,000/-
- ✚ Easy Transfer of money across India
- ✚ Beneficiaries of Government Schemes will get Direct Benefit Transfer in these accounts.
- ✚ After satisfactory operation of the account for 6 months, an overdraft facility will be permitted
- ✚ Access to Pension, insurance products.
- ✚ Accidental Insurance Cover, RuPay Debit Card must be used at least once in 45 days.
- ✚ Overdraft facility upto Rs.5000/- is available in only one account per household, preferably lady of the household.

The PMJDY is based on Six Key elements –

1. Universal access to banking facility: The First aim is to reduce and remove the exclusions in financial sector. District will be divided into sub service area catering to 1000 to 1500 household for access to basic banking facility by 14 august 2015.

2. Providing Basic Banking Accounts with overdraft facility and RuPay Debit card to all households: The effort would be to first cover all uncovered households with banking facilities by August, 2015, by opening basic bank accounts. Account holder would be provided a RuPay Debit Card. Facility of an overdraft to every basic banking account holder

would be considered after satisfactory operation / credit history of six months.

3. Financial Literacy Program: Financial literacy would be an integral part of the Mission in order to let the beneficiaries make best use of the financial services being made available to them.

4. Creation of Credit Guarantee Fund: Creation of a Credit Guarantee Fund would be to cover the defaults in overdraft accounts.

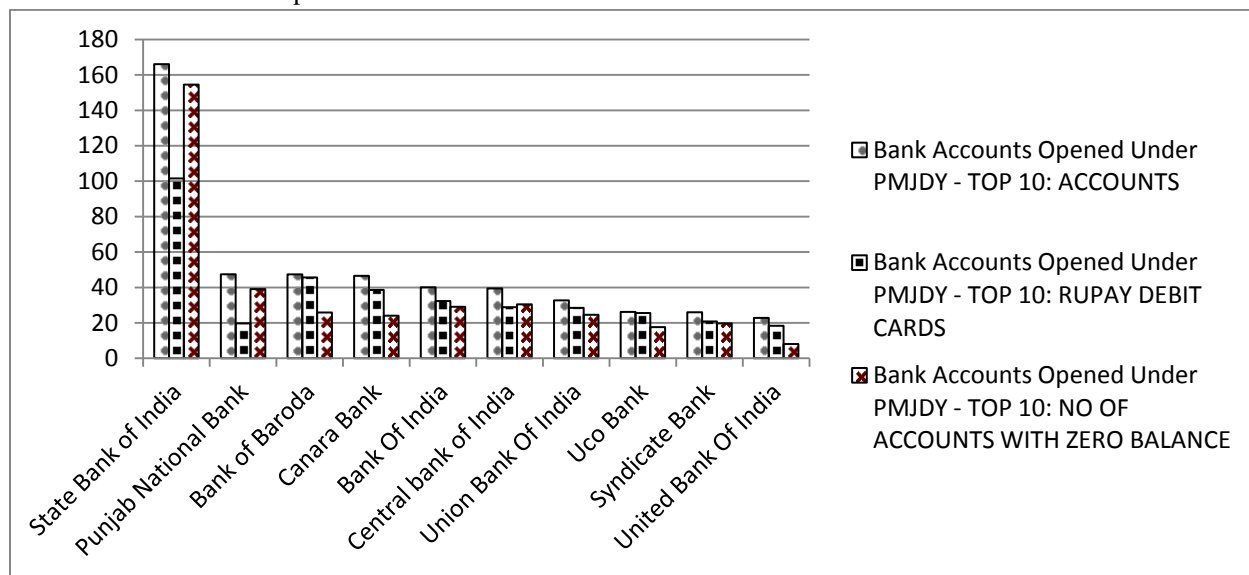
5. Micro Insurance: To provide micro- insurance to all willing and eligible persons by 14 August, 2018, and then on an ongoing basis.

6. Unorganized sector Pension schemes like Swavalamban: By 14 August, 2018 and then on an ongoing basis.

For the successful implementation of PMJDY, unemployed youth & entities like retired bank employee, retired teachers, retired Government / Military personnel, etc., kirana shops, PDS, PCOs, CSCs, NGOs/MFIs and section 25 companies, Self Help Groups (SHG), Civil Society Organisations, agents of small saving schemes of Government of India, individual petrol pump owner, authorized functionaries of SHG, non deposit taking NBFCs, Post Offices/Postman/Gramin Dak Sewak, cooperative societies or other eligible individuals/entities were allowed by RBI from time to time and were called as Bank Mitra (Business Correspondent) The Bank Mitra (Business Correspondent) outlets (in both rural and urban areas) would be fully equipped with the required infrastructure including the computers and other peripherals like Micro ATM, Bio-metric scanners, Printer, Web cam and internet connectivity.

Facts and Figures – Implementation of PMJDY

Chart 1: Bank Accounts opened under PMJDY as on 09.12.2014



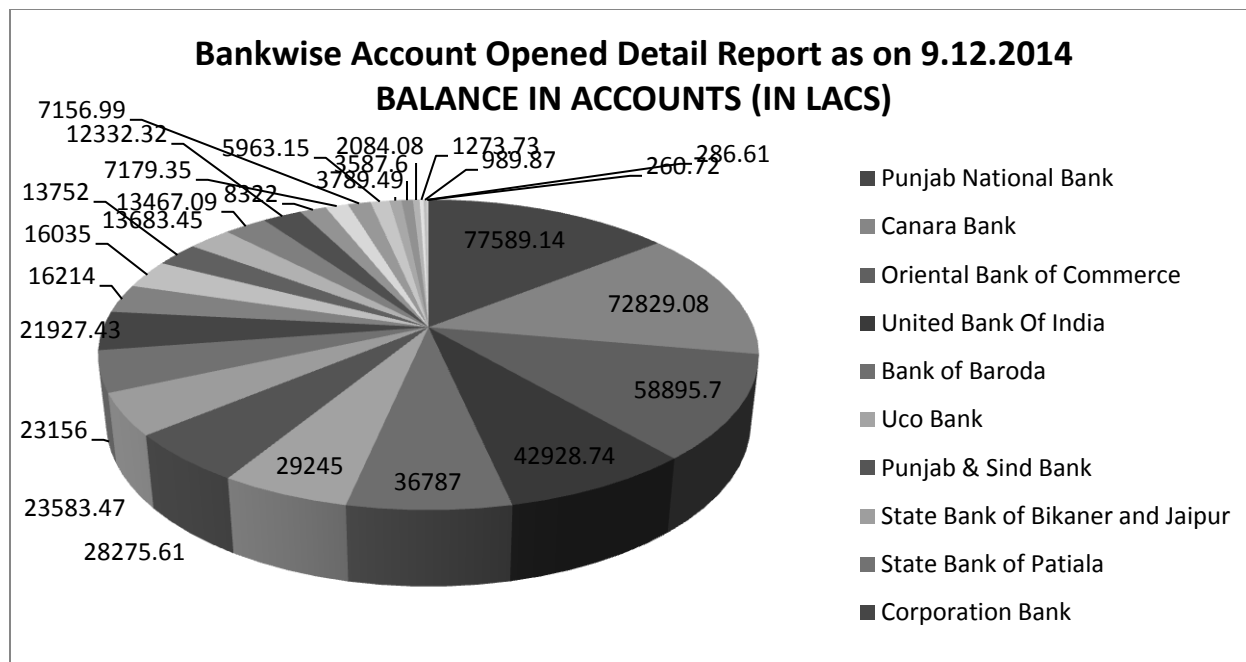


Chart: Bank Accounts – (Top 10 Banks with maximum deposits under PMJDY)

Threats

- ✚ ATM Network in rural India is less hence the people are less aware of using ATM’s
- ✚ No check on the new account – chances of existing account holders opening additional accounts under this scheme is high
- ✚ Government can easily encourage people to open new accounts but the biggest challenge is increasing the transactions in those accounts.
- ✚ No clarity about non recovery of over draft and the associated cost.

Conclusion

“Pradhan Mantri Jan Dhan Yojana (PMJDY)” implemented in large scale requires determination and attitude towards success path. One of the greatest steps ever taken to eradicate poverty is inclusive financing through PMJDY. For the success of any scheme constant review and regular check is very much essential. Successful implementation would not only reduce poverty but also puts a check on corruption. A bold first step by NDA Government

indeed helped many to come into the main stream of economy and reduce financial untouchability.

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