PRADHAN MANTRI JAN DHAN YOJANA (PMJDY): A RIGHT PATH TOWARDS POVERTY ALLEVIATION IN INDIA

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Abstract

Hon'ble Prime Minister Shri Narendra Modi announced a new scheme Pradhan Mantri Jan Dhan Yojana (PMJDY) on August 15, 2014 and launched it as a national mission for financial inclusion on August 28, 2014 as a land mark initiatives to ensure financial inclusion for weaker section of the society for providing banking, insurance and pension to mitigate the ill effects of earlier schemes, thus giving them dignity, financial freedom and financial stability. On the inauguration day, 1.5 Crore bank accounts were opened under this scheme across the country, the largest such exercise on a single day possibly anywhere in the world.

It is an ambitious project of Prime Minister Shri Narendra Modi. It is definitely a great effort to empower people under the Below Poverty line .The purpose of Jan Dhan is to include the excluded people for sharing of the benefits sponsored by the Government. Every household shall have the banking facility with a kit containing of financial literacy, pass book, cheque book, debit card, Overdraft facility and also insurance coverage. Banks both Nationalized and a few private banks have been pressed into action to meet the required target. By January 2015, a lot of household will be bought under Jan Dhan thereby they come out of financial untouchability. Efforts are being made to enlarge the infrastructure both in the urban and in the rural area to achieve the said target.

India is a poor country in terms of low per capita income and the living standard is miserable due to incessant poverty. India has committed to become a superpower for which it has to address poverty. Financial inclusion is considered to be a recipe to the problem. Financial inclusion or inclusive financing is the delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of society, in contrast to financial exclusion 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.

This paper "Pradhan Mantri Jan Dhan Yojana: A Right Path towards Poverty Alleviation in India" aims to examine the financial inclusion with reference to Jan Dhan, its benefits, its challenges and also few suggestions to overcome the hiccups.

Keywords: *Financial Inclusion; Jan Dhan; Financial Literacy; financial services; Jan Dhan Kit; Miserable; Incessant Poverty.*

I. Introduction

Pradhan Mantri Jan Dhan Yojana (PMJDY) is a social upliftment scheme which aims to bring the millions of excluded Indian people in the main financial stream through financial inclusion, a subject of national priority for the present NDA Government. Even after 68 years of Independence and 45 years of nationalization of banks, It‟s hard fact to deny that In India, a little segment of the society has access to assortment of almost all banking services starting with a saving bank account to net banking whereas a larger segment of society underprivileged and lower income group is totally deprived of even basic financial services.

Late Nelson Mandela said that, "Overcoming poverty is not a gesture of charity. It is an act of justice. It is the protection of a fundamental human right, the right to dignity and a decent life. While poverty persists, there is no true freedom."

Undoubtedly financial inclusion is the need of the hour and PMJDY is working in the same direction with innovative strategies and technological advancement within time bound framework.

II. Objective of the Study

- To understand the need of financial inclusion through PMJDY in Indian context.
- To list the pinpoints making PMJDY more attractive including the latest modified terms and condition.
- To identify the proposed strategies for successful implementation of this scheme of national priority.
- To explore the financial activities towards common man.

III. Methodology

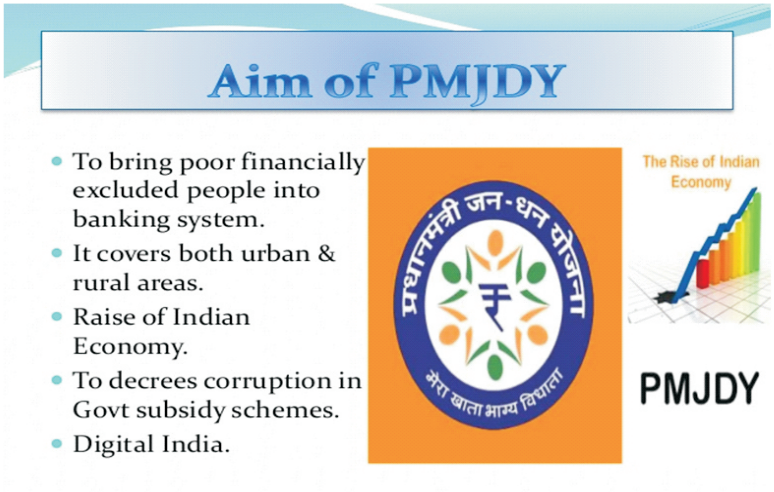
The present paper is primarily based on secondary sources of data consisting of government publications, research articles published in journal and available on websites.

IV. Need of Financial Inclusion through PMJDY in Indian context

The Rangrajan committee (2008) on financial inclusion, of Government of India, has defined financial inclusion as the process of ensuring timely access to financial services and adequate credit where needed by vulnerable groups such as the weaker sections and low income groups at an affordable cost. The committee was of the opinion that financial inclusion is a favorable instrument for social transformation. In order to ensure financial inclusion a number of initiatives had been taken up by Government of India and Reserve Bank of India like Nationalization of Banks, Expansion of Banks branch network, Establishment & expansion of Cooperative and RRBs, Introduction of PS lending, Lead Bank Scheme, Formation of SHGs and State specific approach for Govt. sponsored schemes to be evolved by SLBC etc. RBI in the year 2006, with the the target of ensuring greater financial inclusion and increasing the outreach of the banking sector, decided in public interest to enable the banks to use the services of NGOs/SHGs, MFIs and other Civil Society Organizations as intermediaries in providing financial and banking services through use of "Business Facilitator and Business Correspondent Model.

The main underlying principle for launching PMJDY is that according to the 2011 Census, of the 250 million households in the country, only about 145 million, or about three-fifths of the total had access to basic banking services. Thus, about two-fifths of the households (105 million) do not have access even to basic banking services. The former Deputy Chairman Planning Commission, Government of India has reported to the Parliament that poverty is the major concern for the country and over 62% of the total population comes under the Below Poverty Line. Despite various measures for financial inclusion, poverty and exclusion continue to dominate socio-economic and political discourse in India after six decades of post economic independence era. 100% financial inclusion is still a dream project. PMJDY launched on 28th Aug, 2014 shows the nation hope of light .The prime objective of financial inclusion in developing countries like India is the access and availability of banking and payments services to the entire population at the reasonable cost and without any discrimination.

Living without financial services and products is the matter of concern for both country and countrymen when the contemporary world is moving on towards cashless system depending on credit cards, debit cards, ATMs & core banking solution (CBSs). The implication of the financial exclusion is much needed when the exclusion mass is entrapped in the hydra headed cycles of poverty. This causes further social exclusion which is very much detrimental for the equitable growth of the world community. That is why there is an urgent need to implement effectively PMJDY by virtue of financial inclusion as all other development activities are hindered by this single disability. This is an important step towards converting Indian economy into a cashless and digital economy.



V. Initiatives for achieving Financial Inclusion by RBI and other Banks

The Reserve Bank asked the commercial banks in different regions to start a 100% financial inclusion campaign on a pilot basis. Reserve Bank of India's vision for 2020 is to open nearly 600 million new customers' accounts and service them through a variety of channels by leveraging on IT. Some of these steps are:

1) Opening of no-frills accounts with overdraft facility:

Basic banking no-frills account is with nil or very low minimum balance as well as charges that make such accounts accessible to vast sections of the population. Banks have been advised to provide small overdrafts in such accounts.

2) Relaxation on know-your-customer (KYC) norms:

KYC requirements for opening bank accounts were relaxed for small accounts in August 2005; thereby simplifying procedures by stipulating that introduction by an account holder who has been subjected to the full KYC drill would suffice for opening such accounts. The banks were also permitted to take any evidence as to the identity and address of the customer to their satisfaction. It has now been further relaxed to include the letters issued by the Unique Identification Authority of India containing details of name, address and Aadhar Number.

3) Engaging business correspondents (BCs):

In January2006, RBI permitted banks to engage business facilitators (BFs) and BCs as intermediaries, for providing financial and banking services. The BC model allows banks to provide doorstep delivery of services, especially cash in-cash out transactions, thus addressing the last-mile problem. The list of eligible individuals and entities that can be engaged as BCs is being widened from time to time.

4) Use of technology:

Recognizing that technology has the potential to address the issues of outreach and credit delivery in rural and remote areas in a viable manner, banks have been advised to make effective use of information and communications technology (ICT), to provide doorstep banking services through the BC model where the accounts can be operated by even illiterate customers by using biometrics, thus ensuring the security of transactions and enhancing confidence in the banking system.

5) A**doption of** E**lectronic** B**anking** T**ransactions (**EBT**)**:

Banks have been advised to implement EBT by leveraging ICT-based banking through BCs to transfer social benefits electronically to the bank account of the beneficiary and deliver government benefits to the doorstep of the beneficiary, thus reducing dependence on cash and lowering transaction costs.

6) G**eneral** P**urpose** C**redit** C**ard (**GCC**)**:

With a view to helping the poor and the disadvantaged with access to easy credit, banks have been asked to consider introduction of a General Purpose Credit Card facility up to Rs.25,000 at their rural and semi-urban branches. The objective of the scheme is to provide hassle-free credit to banks' customers based on the assessment of cash flow without insistence on security, purpose or end use of the credit. This is in the nature of revolving credit entitling the holder to withdraw up to the limit sanctioned.

7) S**implified branch authorization**:

To address the issue of uneven spread of bank branches, in December 2009, domestic scheduled commercial banks were permitted to freely open branches in tier III to tier VI centers with a population of less than 50,000 under general permission, subject to reporting. In the north-eastern states and Sikkim, domestic scheduled commercial banks can now open branches in rural, semi urban and urban centers without the need to take permission from RBI in each case, subject to reporting.

8) O**pening of branches in unbanked rural centers**:

To further step up the opening of branches in rural areas so as to improve banking penetration and financial inclusion rapidly, the need for the opening of more bricks and mortar branches, besides the use of BCs, was felt. Accordingly, banks have been mandated in the April monetary policy statement to allocate at least 25% of the total number of branches to be opened during a year to unbanked rural centers.

VI. A**ction** P**lan for** I**mplementing** PMJDY

Two phases of this scheme has been determined in which the objective of financial inclusion of weaker section of the society is supposed to be achieved.

a) P**hase**-I **of** PMJDY

The first phase of this scheme starts from August 15, 2014 to August 14, 2015 which focuses on the followings:

- All households across the country should have access to banking facilities with at least one Basic Bank Accounts with a bank branch or a fixed point Business Correspondent (BC).
- All households should have been issued a RuPay Debit Card with Rs. 1 lakh inbuilt accident insurance cover after opening the bank account.
- If bank account is operated satisfactorily for 6 months, Rs. 5000 overdraft facility will be granted to only Aadhaar enabled accounts.
- All types of Govt. sponsored benefits

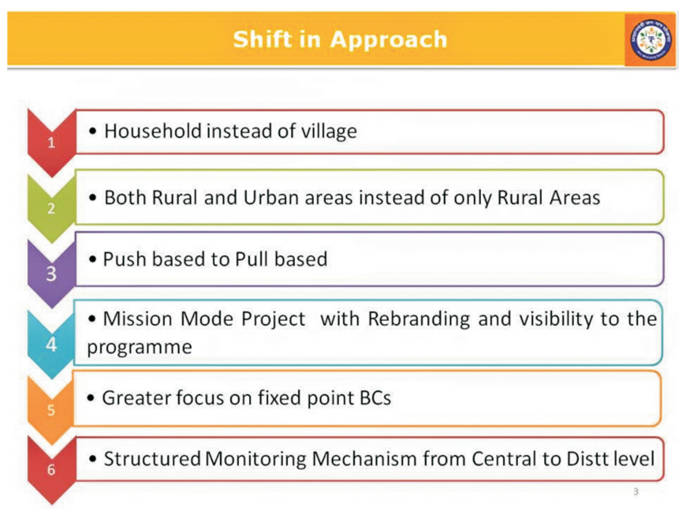
should be directly credited to the account of beneficiaries through Direct Benefit Transfer scheme.

- The existing Kisan Credit Card is proposed to be issued as RuPay Kisan Card to the farmers.
- Financial literacy programme under the scheme will be implemented up to village level.

b) Phase-II of PMJDY

The second Phase starts from August 15, 2015 to August 14, 2018 putting focus on the following:

- Micro insurance will be brought within the reach of all willing and eligible people by 14 Aug, 2018 and then on an ongoing basis. Swavlambanan unorganized sector pension scheme is to be proposed through the Business Correspondents.
- Households in hilly, tribal and difficult areas will be covered in this phase.
- This phase would focus on coverage of remaining adults in the households and studnts.



VII. PROGRESS OF FINANCIAL INCLUSION INITIATIVES BEFORE LAUNCH OF PMJDY

- Due to RBI's concerted efforts since 2005, the number of branches of Scheduled Commercial Banks increased manifold from 68,681 in March 2006 to 1,02,343 in March 2013.
- In rural areas, the number of branches increased from 30,572 to 37,953 during March 2006 to March 2013. As compared with rural areas, number of branches in semi-urban areas increased more rapidly.
- Total number of banking outlets in villages increased from 67,694 in March 2010 to 2,68,454 in March 2013 (increased around 4 times during the period of three years) of total branches, banking outlets through BCs increased from 34,174 to 2,21,341 during the same period (increased around 6.5 times).
- The number of Basic Savings Bank Deposit Accounts opened increased

from 73.45 million in March 2010 to 182.06 million in March 2013.RBI advised banks to provide small overdrafts in BSBD accounts. Accordingly up to March 2013, 3.95 million BSBD accounts availed OD facility of Rs. 1.55 billion (These figures respectively, were 0.18 million and 0.10 billion in March 2010).

- Banks have been advised to issue KCCs to small farmers for meeting their credit requirements. Up to March 2013, the total number of KCCs issued to farmers remained at 33.79 million with a total outstanding credit of Rs.2622.98 billion.
- Banks have been advised to introduce General Credit Card facility up to Rs. 25,000/- at their rural and semi-urban branches. Up to March 2013, banks had provided credit aggregating to Rs.76.34 billion in 3.63 million GCC accounts.

VIII. Progress of Pradhan Mantri Jan-Dhan Yojana

PMJDY 2014 is a comprehensive financial inclusion programme, targeting opening of 7.5 crore new accounts within five months with insurance and pension facilities. BCs are employed in places where banks do not have branches. Following Table shows the progress of PMJDY:-

Table-1
Number of Accounts opened in Pradhan Mantri Jan Dhan Yojana
(As on 31.12.2014)

Sr.No	Type of Banks	No of Accounts (In Lacs)			No of Rupay Debit Cards (In Lacs)	Balance In Accounts (In Lacs)	No of Accounts With Zero Balance (In Lacs)
		Rural	*Urban*	*Total*			
1	Public Sector Banks	357.87	300.07	657.94	474.66	514970.65	489.96
2	Regional Rural Banks	118.39	21.03	139.42	19.97	90226.52	107.13
3	Private Banks	10.71	11.03	21.73	12.12	36176.88	14.64
	Total	**486.97**	**332.13**	**819.09**	**506.75**	**641374.05**	**611.73**

(Source: www.pmjdy.gov.in)

The target under PMJDY is for banks to have an additional 50,000 BCs, in addition to 7,000 more branches and 20,000 new ATMs. Also to make the dormant accounts (estimated at around 5 crore) active, the government may soon announce that dormant account holders, if found eligible, will get subsidies and other payments related to DBT as well as the National Rural Employment Guarantee Scheme directly into their accounts if these accounts are activated. Such account holders will also get accidental insurance worth Rs. 1 lakh, overdraft of upto Rs. 5,000 and life insurance of Rs 30,000. The RuPay debit card being given to the beneficiaries will have an inbuilt accident insurance cover of Rs. 1 lakh and an overdraft facility upto Rs 5,000. The use of debit cards will allow the unbanked to start building a transaction history, which can be a decisive step in initiating them towards financial inclusion. This step will also help the Banks in better product designing and targeting. All those who open an account by Republic Day 2015, will also get a life insurance cover of Rs. 30,000. The PMJDY also aims at eliminating corruption as it would facilitate routing of subsidies directly into the accounts of intended beneficiaries. On the accident insurance cover of Rs.1 lakh being offered to new account holders, it comes with the condition that before making the claim, the holder should have used his/her account during 45 days prior to the claim date. To cover defaults of overdraft facility of upto Rs. 5000, the Govt. is likely to set up a Credit Guarantee Fund of Rs. 1,000 crore, which is likely to be set up after August 2015. The overdraft facility is only for Aadhar enabled accounts after they have operated satisfactorily for six months. Banks have been asked by the Govt. to assess the creditworthiness of people before opening accounts so that they do not misuse the overdraft facility. Banks have also been asked to link new accounts to the Aadhaar Card number, take self-declaration on creditworthiness and other details, and make sure that accounts are active. Wrong self-declaration can lead to legal action.

For easiness of assimilation, let us now compare the programmes earlier launched under financial inclusion schemes with the now launched PMJDY by the Govt of India, in a tabulate manner:

Table No. 2
Financial Inclusion Schemes Earlier and Now

Earlier	*Now*
1. Focus on village—full geography not covered.	Focus on household and coverage of full geography.
2. Lacked regular monitoring.	Financial inclusion campaign in Mission Mode.
3. Focus on account opening- large number of accounts remained dormant.	Account opening to be integrated with DBT, credit, insurance and pension.
4. Offline accounts- technology lock-in with the vendor.	Only online accounts in CBS of the Bank.
5. No guidelines on the remuneration of the BC--banks went with Corporate BCs who used to be least expensive to them	Minimum remuneration of the BCs fixed at Rs. 5000/- (Fixed + Variable).
6. No active involvement of States/Districts.	State level and District level monitoring committees to be set up.
7. Financial literacy had no focus.	The Rural Branches of banks to have a dedicated Financial Literacy cell.
8. No brand visibility of the Programme & BCs	Brand visibility for the Progrmme & BC proposed.
9. Interoperability of accounts not there.	Interoperability through RuPay Debit Card.
10. Providing credit facilities not encouraged.	OD limit after satisfactory operations.
11. Cumbersome KYC formalities.	Simplified KYC/ e-KYC in place.
12. No grievance redressal mechanism.	Grievance redressal at SLBC and IBA levels.
13. A recent RBI survey finds that 47% of BC Agents are untraceable.	Visibility and sustainability of BC is identified as a critical component.

XI. SUGGESTIONS

- **Private Banks Participation**:

The government should consider tying up with private banks to deliver financial solutions to the un-banked, using its extensive postal network. The synergistic overlay of the existing postal system with banking functions is the answer to innovative channel required to penetrate the rural markets.

- **Customized products**:

The rural poor have irregular/volatile income streams and expenditure needs, and therefore, prefer to borrow frequently, and repay in small installments.

- **Need for composite financial services**:

While small rural borrowers seek savings and lending services, they also seek insurance (life, health, crop insurance, etc): bank branches in rural areas would do well to explore opportunities to offer composite financial services, as they have begun to do in urban areas, and as some micro-financiers have begun to offer in rural and urban areas.

- **Setting of Biometric ATMs in rural areas for catering to illiterate customers**:

Biometric authentication systems are especially effective in rural areas with low literacy rates. Customers no longer have to rely on signatures or filling out documents - they can simply provide their fingerprints to authenticate themselves and access their accounts through specialized biometric teller machines (BTMs).

- **Technology Enhancement**:

Internet has become a trusted source of information for vast number of users. So there is a need of building an interactive internet based system by which the banks could able to understand the queries of people living in rural areas. It can also play an important role in simplifying procedures and reducing transactions costs for banks and their clients.

- **Simplification of documentation**:

A lack of legal documentation is another major obstacle that poor households employed in the informal sector face when trying to open any kind of bank account, be it savings, credit, or current account. Simplification of procedures could also go a long way in encouraging the poor to bank with the formal sector, by reducing clients' transaction costs.

- **Better staffing policies and doorstep banking**:

Public sector banks currently do not have the flexibility to recruit staff locally, but staffing policies could be revisited. It is worth noting in this context that the high recovery rates of microfinance are associated with staffing policies that allow recruiting staff from the local area who understand clients' needs, and a focus on doorstep banking.

- **Removing usage fee on ATMs for use of other Bank ATMs**:

Charges for using an ATM of another bank generally discouraged the customer from using the ATMs of other banks. Now there is more utilization of the installed ATMs and it has also helped the customers from frequent un-serviceability of the ATMs .Given the economic level of rural people and given the density of the population, conventional banking methods (brick and mortar) cannot cover all people in a cost effective manner.

The customers cannot be expected to come to branches in view of opportunity cost and time and hence banks will have to reach out through a variety of devices such as weekly banking, mobile banking, satellite offices, rural ATMs and use of Post offices.

X. CONCLUSION

Poverty Alleviation through financial inclusion which was taken off in India in 2005 is gaining a lot of momentum, especially after 2010. Poverty is a curse for the growth in India, which needs early attention to address it. Jan Dhan is an attempt to enable a large chunk of household who can be given banking facility. The Government may ponder over to transfer the benefits of Government sponsored project to the account holders directly; hence no avenue for corruption. India may set in a time frame to address poverty in case poverty is arrested by 2026, India may emerge as a superpower by 2030.

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