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Performance Appraisal of the Pradhan Mantra Jan Dhan Yojna

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Abstract: *Even after 68 years of independence, a large portion of the Indian population still remains excluded from the banking net. In recent years the Government and Reserve Bank of India has been pushing the concept and idea of financial inclusion. The Financial Inclusion Plan aims at providing easy access to the financial services to those sections of the society who are deprived of it so far at affordable cost thereby bringing them into the mainstream financial sector. RBI set up the Khan Commission in 2004 to look into financial inclusion and the recommendations of the commission were incorporated into the mid-term review of the policy (2005–06) and urged banks to review their existing practices to align them with the objective of financial inclusion. Honourable Prime Minister of India, Sri Narendra Modi announced this scheme from the ramparts of the Red Fort for comprehensive financial inclusion on his first Independence Day speech on 15 August 2014. The scheme was formally launched on 28 August 2014 with a target to provide 'universal access to banking facilities' starting with Basic Bank Accounts with overdraft facility of Rs.5000 after six months and RuPay Debit card with inbuilt accident insurance cover of Rs. 1 lakh and RuPay Kisan Card & in next phase, micro insurance & pension etc. will also be added. An attempt is made in this paper to study and cover the following:*

- Performance of the Pradhan Mantri Jan Dhan Yojna (PMJDY)
- Latest trends being implemented for Financial Inclusion by PMJDY.

Keywords: Financial inclusion, Banking services, Universal access, Business, Technology

I. Introduction

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 billion working-age adults globally have no access to the types of formal financial services delivered by regulated financial institutions. It is argued that as banking services are in the nature of public good; the availability of banking and payment services to the entire population without discrimination is the prime objective of financial inclusion public policy. The term "financial inclusion" has gained importance since the early 2000s, a result of findings about financial exclusion and its direct correlation to poverty. The United Nations defines the goals of financial inclusion as follows:

- access at a reasonable cost for all households to a full range of financial services, including savings or deposit services, payment and transfer services, credit and insurance;
- sound and safe institutions governed by clear regulation and industry performance standards;
- financial and institutional sustainability, to ensure continuity and certainty of investment; and
- Competition to ensure choice and affordability for clients.

In the Indian context, the term 'financial inclusion' was used for the first time in April 2005 in the Annual Policy Statement presented by Y.Venugopal Reddy, Governor, Reserve Bank of India. Later on, this concept gained ground and came to be widely used in India and abroad. While recognizing the concerns in regard to the banking practices that tend to exclude rather than attract vast sections of population, banks were urged to review their existing practices to align them with the objective of financial inclusion. The Report of the Internal Group to Examine Issues relating to Rural Credit and Microfinance (Khan Committee) in July 2005 drew strength from this announcement by Governor Y. Venugopal Reddy in the Annual Policy Statement for 2005-06 wherein he had expressed deep concern on the exclusion of vast sections of the population from the formal financial system.[9] In the Khan Committee Report, the RBI exhorted the banks with a view to achieving greater financial inclusion to make available a basic "no-frills" banking account. The recommendations of the Khan Committee were incorporated into the mid-term review of the policy (2005–06). Financial inclusion again featured later in 2005 when it was used by K.C. Chakraborthy, the chairman of Indian Bank. Mangalam became the first village in India where all households were provided banking facilities. Norms were relaxed for people intending to open accounts with annual deposits of less than Rs. 50,000. General credit cards (GCCs) were issued to the poor and the disadvantaged with a view to help them access easy credit. In January 2006, the Reserve Bank permitted commercial banks to make use of the services of non-governmental organizations (NGOs/SHGs), micro-finance institutions, and other civil society organizations as intermediaries for providing financial and banking services. These intermediaries could be used as business facilitators or business correspondents by commercial banks. The bank asked the commercial banks in different regions to start a 100% financial inclusion campaign on a pilot basis. As a result of the campaign, states or union territories like Puducherry, Himachal Pradesh and Kerala announced 100% financial inclusion in all their districts. 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. However, illiteracy and the low income savings and lack of bank branches in rural areas continue to be a roadblock to financial inclusion in many states and there is inadequate legal and financial structure.

II. Literature Review

1. According to Indian institute of banking and finance, "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. According to Dr. K.C.Chakrabarty, Deputy Governor, Reserve Bank of India, financial Inclusions the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular at an affordable cost in a fair and transparent manner by main stream institutional players.
2. Research Paper on, "Overview of Financial Inclusion in India", by C. Paramasivan and V. Ganeshkumar, Financial inclusion aimed at providing banking and financial services to all people in a fair, transparent and equitable manner at affordable cost. This paper is an attempt to discuss the overview of financial inclusion in India.
3. 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 state.
4. 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.

Pradhan Mantri Jan Dhan Yojana (PMJDY)

Financial inclusion 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 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.

According to GOI, MGNREGA payments are to be done in to the accounts of the MGNREGA workers in rural areas held either in Banks/ Post Office (unless exempted) and the objective of the PMJDY scheme is to ensure that no household is left without a bank account. There are total 9.98 Crore accounts of the MGNREGA worker in Bank/ Post Offices. Out of this there are 3.66 Crore accounts in Post Offices and 0.75 Crore accounts in Co-operatives. Thus all banks were directed to work in this direction for a greater inclusion.

Account can be opened in any bank branch or Business Correspondent outlet. PMJDY accounts are being opened with Zero balance. However, if the account-holder wishes to get cheque book, he/she will have to fulfil minimum balance criteria.

Benefits of PMJDY Scheme

1. Interest on deposit.
2. Accidental insurance cover of Rs.1.00 lac
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 upto Rs.5000/- is available in only one account per household, preferably lady of the household.

The PMJDY is based on Six Key elements –

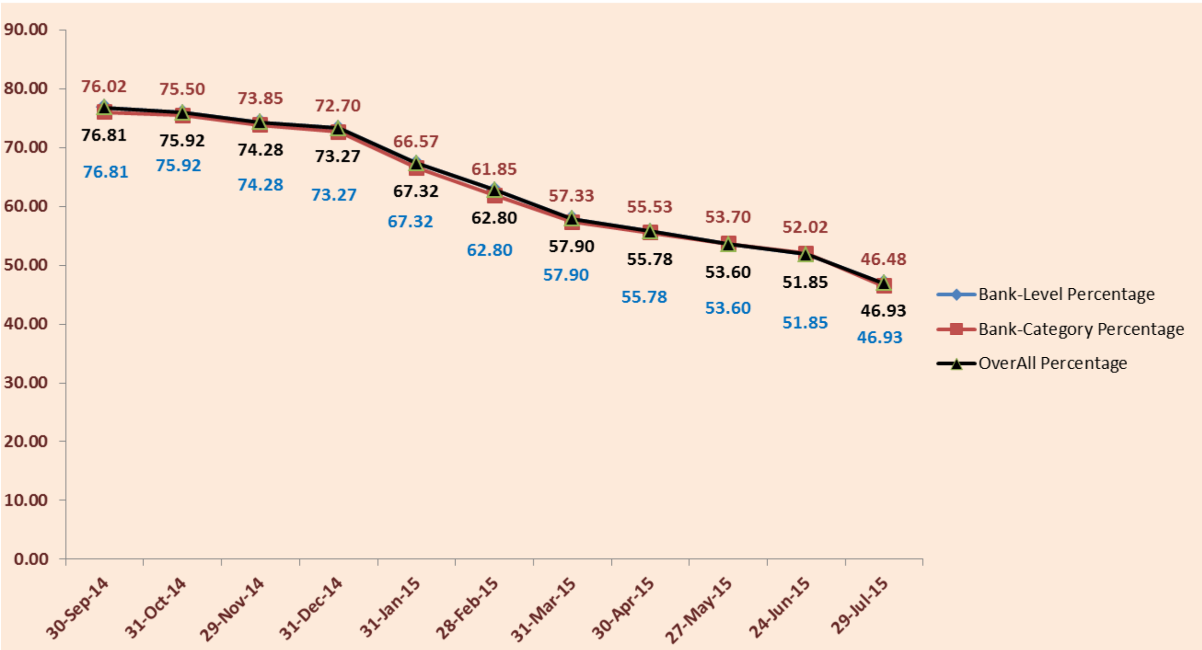
1. **Universal access to banking facility**: The First aim is to reduce and remove the exclusions in financial sector. District will be divided into sub service area catering to 1000 to 1500 household for access to basic banking facility by 14 august 2015.
2. **Providing Basic Banking Accounts with overdraft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

Accounts Opened As On 5TH August 2015 (fig in crores)

S no.		No. of Accounts	No. Of Rupay Debit Cards	Balance in Accounts	% of Zero balance Accounts
1	Public sector banks	13.64	12.54	17273.12	45.75
2	Regional rural banks	3.11	2.27	3684.56	48.55
3	Private sector banks	0.7	0.62	1075.01	45.71
Total		17.45		22032.68	46.25

Trends In Zero Balance Accounts



Problems With The Pradhan Mantri Jan Dhan Yojna

Though the Pradhan Mantri Jan Dhan Yojana has successfully exceeded its financial inclusion target by opening 115 million bank accounts, most of these are 'zero-balance'. According to data released by the ministry, only 28 per cent of the accounts opened under the scheme are active, with about Rs 9,000 crore deposited in these.

The ministry feels it is imperative to keep accounts opened under the scheme active. It has already put in place various measures such as connecting the Direct Benefits Transfer (DBT) scheme to these accounts. So far, the DBT for liquefied petroleum gas, along with those for a few other schemes, have been linked with these accounts.

The department of financial services has decided to give banks commission, to ensure these accounts are kept active. A circular to this effect has already been issued to banks.

Of the accounts opened at public sector banks (PSBs) under the Jan Dhan Yojana, 71 per cent are zero-balance, against 64 per cent for private banks. Among private lenders, the percentage of 'zero-balance Jan Dhan accounts at YES bank is 89, Kotak Mahindra Bank 77 and Axis Bank 75. Among PSBs, 95 per cent of State Bank of India's Jan Dhan accounts are zero-balance; for Indian Overseas bank, it stands at 84 per cent. Of the bank accounts opened under the scheme, about 90 million were at PSBs, while private banks accounted for only 4.1 million accounts (3.6 per cent of the overall number). The rest were accounted for by regional rural banks. Five major private lenders – ICICI bank, Kotak Mahindra Bank, YES Bank, IndusInd Bank and Karur Vyasya Bank – have opened 0.9 million accounts under the scheme. The Jan Dhan scheme is yet evolving. At the moment, it even conflicts with payment banks – meant to reach the unbanked customers – that were recommended to be created to give fillip to financial inclusion by the Nachiket Mor committee and accepted by the RBI. There are speculations now on the respective domains of payment banks and the Jan Dhan Yojana because of their overlapping nature. Moreover, it is the economics of the scheme that has drawn attention the most. Experts are still figuring out the average monthly balance figures that could help banks meet the costs. Besides, the state-run Life Insurance Corporation (LIC) is still in the process of structuring the Rs 30,000-life cover to be offered under the scheme after the finance ministry asked it for the details. Preliminary reports suggest that even though the government is targeting to open 7.5 crore bank accounts under the scheme, the life policy could be issued to only around 2-3 crore people because of the following riders:

- Only those who are above 18 and below 59 will be eligible for the life cover.
- Though the accounts are not mandatorily linked to the Aadhaar numbers, the life cover is strictly open for only those who have the Aadhaar numbers.

Under the RBI-spearheaded financial inclusion programme, banks opened about six crore basic banking accounts in the whole of fiscal year 2014. As against this, under the Jan Dhan Yojana, banks have already opened more than 10 crore accounts since the scheme was launched in August last year. Prima facie, this appears as a very encouraging sign and yet another major achievement of Modi, who is known for his task mastering skills as a leader. But the major difference with the RBI's rather slow-paced financial inclusion and Modi's brand-new, rocket-paced financial inclusion is KYC (know your customer). Unlike the conventional plans, Jan Dhan Yojana significantly diluted KYC norms by permitting customers to produce any document such as PAN card, Aadhhar card, driving licence etc to open the account. Absence of uniform identity proof resulted in large chunk of duplicate accounts. The RBI has indicated that some 30 percent of the accounts opened under Jan Dhan Yojana are duplicate. Under the Jan Dhan Yojana, customers will be eligible for Rs 5,000 overdraft facility, free insurance facility and a free debit card. This is something the RBI has acknowledged several times and has cautioned. Many customers have opened multiple accounts using multiple documents as proof to avail the freebies. "Yes, there were cases where people believed only new accounts would give entitlement to benefits. I can't give exact no of duplicate accounts but some surveys done show 30 percent duplicity. Disregarding the same, residual figure is still near original target," one of the deputy governors of the RBI, SS Mundra said recently. To be sure, duplicate banking accounts, in a banking system, is not illegal. But if they remain inoperative, it leads to big burden for banks besides causing multiple issues including the gross misuse of these accounts, again something which the RBI has cautioned in the past. At present, majority of these accounts (about 70-75 percent) still do not have any money in them, even though the scenario can change once the government's direct benefit transfer start flowing in through this accounts. The real problem is that after opening several crores of duplicate accounts, it may not be easy to rectify the mistakes at a later stage. That's because Aadhaar linkage takes time and by then the system will effectively create millions of non-operative accounts. In the past, the central bank had highlighted the problem of crores of non-operative zero-balance accounts in the banking system, most of which were opened under the financial inclusion programme rolled out by the RBI. The RBI had given a call to banks to exercise abundant caution while opening accounts under Jan Dhan Yojana.

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