



Review Of Research



PRADHAN MANTRI JAN DHAN YOJANA- BENEFITS AND CHALLENGES



Mrs. S. S. Kadam

Assistant Professor, D. R. K. College of Commerce, Kolhapur.

ABSTRACT

Pradhan Mantri Jan Dhan Yojana (PMJDY) was launched by the Honorable Prime Minister, Shri Narendra Modi on August 28, 2014. He had announced this scheme on his first independence day speech on 15th August 2014. It is the national mission on financial inclusion includes integrated approach to bring about complete financial inclusion of all the householders in the country. The prime objective of the PMJDY is to ensure financial inclusion of the poor and rural population with a view to provide them financial freedom as well as financial stability. In India PMJDY is one of the successful financial inclusion programs by government of India which is providing social and financial security to the deprived section of the population. The scheme has been started with a target to provide universal access to banking facilities starting with basic banking accounts with overdraft facility of Rs. 5000 after six months and Rupay debit card with inbuilt accident insurance cover of Rs.1 lakhs and rupay kisan

card. The study remarks that PMJDY scheme has created an impressive result in the banking sector with regard to eradication of financial untouchability in the country. Mere opening of bank accounts may not fulfill the aim of the scheme but there should be continuous operation of bank accounts to give the real success of the scheme. This paper discusses the need, benefits and challenges of the scheme.



KEYWORDS: Financial inclusion, Financial security, Rupay Debit, need, Benefits, Challenges, impressive result.

INTRODUCTION:

Pradhan Mantri Jan Dhan Yojana a major socio economic initiative of the National Democratic Alliance Government which was announced by Hon'ble Prime Minister Narendra Modi in his first

independence day speech as 15th August 2014. Financial inclusion is connotes to the delivery of financial services like saving, credit, insurance, subsidies and other banking services at a minimum costs to section of low income segments of society. RBI set up the Khan Commission in 2004 to look into financial inclusion and the recommendations of the commission were incorporated into mid term review of the policy in 2005-06. Planning Commission 2009 further explains it as universal access to a wide range of financial services at a reasonable cost. The scheme has been started with a target to provide universal access to banking facilities starting with basic banking 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 and in the next phase micro insurance and pension etc. will also be added. Reports show that more than 1.5 crore bank accounts were opened in a single day on 28th August. The main objective of PMJDY is that easy financial services for the excluded section. i.e. low income group and weaker section. As per the scheme one could open an account in any bank branch or business correspondent outlet with zero balance. The process of opening an account has been made easier the aim of the scheme is access to banking facilities, financial literacy and access to credit, insurance and pension facility. PMJDY focuses on coverage of rural as well as urban areas. Earlier plan targeted only villages above 2000 population while under PMJDY whole country is to be covered by extending banking facilities in each sub services area consisting of 1000-1500 households such that facility is available to all within a reasonable distance about 5 km. The six pillars which will drive the PMJDY project to establish reality in financial inclusion covers ensuring universal access to banking facility, providing basic banking facility, financial literacy program, micro credit availability, micro insurance and unorganized sector pension scheme.

REVIEW OF LITERATURE:

Kunthia R. (2014) in this research paper the author has studied the recent development on financial inclusion in India with special reference to the recently launched "Pradhan Mantri Jan Dhan Yojana (PMJDY)". The author has examined and analyzed different important areas, the roadblocks in the process and has suggested strategy to attain universal coverage of the PMJDY for the underprivileged population and the large unbanked areas at the country.

Harpreet Kaur and Kawal Nain Singh (2015) they pointed out the recent trends in financial inclusion in India with special reference to Pradhan Mantri Jan Dhan Yojana (PMJDY). Author highlights its key areas and suggested strategies to ensure maximum financial inclusion for the disadvantages and unbalanced areas.

Sinha A. (2013) explain the financial inclusion programme of Cosmos Bank that without overall financial inclusion, both financial stability and inclusive growth cannot be reached. Banks need to look at financial inclusion as a business model that can generate profits and not as an obligation which they need to fulfill. To make financial inclusion as a successful business model, the banks have to focus on lowering the cost of transactions by leveraging technology and offering more products of credit to the already included population. The author finally conclude that the urban co-operative banks have the potential to complete the objectives of financial inclusion

Sinclair (2001) reported that the financial exclusion result from the inability to get an access to financial services, financial exclusion could be the result of supply side inefficiency or it could come from the demand side altogether. It could be due to reasons such as high cost, distance factor, economic conditions and so on.

Sonam Kumari Gupta (2015) explain that the accounts opened at Public Sector Bank (PSB,s) under the Jan Dhan Yojana, 71% are zero balance, against 64% for private banks as per the data released

by Ministry. Only 28% of the accounts opened under the scheme are active, with about Rs. 9000 corers deposited in these.

Barhate and Jagtap (2014) focused on financial inclusion, strategy of PMJDY and issues related to the success of the scheme. They concluded that every new thing requires determination and attitude towards success path. It is suggested that, the success of this scheme constant review and regular check is very much essential. Jan Dhan Yojana is good mechanism.

OBJECTIVES OF THE STUDY

- 1) To study the need of Pradhan Mantri Jan Dhan Yojana.
- 2) To study the benefits of Pradhan Mantri Jan Dhan Yojana.
- 3) To study the challenges of Pradhan Mantri Jan Dhan Yojana.
- 4) To make some suggestions for smooth functioning of the scheme.

RESEARCH METHODOLOGY :

The present study is descriptive in nature. The present paper is based on secondary data. The information for the research has been collected from government publications, published articles, journals, websites etc.

Need of the Pradhan Mantri Jan Dhan Yojana:

The main principle for launching PMJDY is that according to the 2011 census, of the 250 million household in the country, only about 145 million or about 3/5th of the total had access to basic banking services. The former deputy chairman of planning commission government of India had reported to the parliament that poverty is the major concern for the country and over 62% of the total population comes under below poverty line. Pradhan Mantri Jan Dhan Yojana (PMJDY) is national mission for financial inclusion to ensure access to financial services. 100% financial inclusion is steel a dream project. The prime objective of financial inclusion is 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. Social exclusion which is very much detrimental for the equitable growth of the country. So, it is very argent need to implement effectively PMJDY and it is an important step toward converting Indian economy into a cashless and digital economy.

Benefits of Pradhan Mantri Jan Dhan Yojana:

1) Zero Balance Account:-

The accounts opened under PMJDY scheme are zero balance account that means initially an account holder does not need to maintain any bank balance. in this scheme anyone who is a citizen of India above 10 years and does not have a bank account, can open the account with zero balance.

2) Mobile Banking Facilities:

PMJDY scheme provides mobile banking facility through which the account holders can avail the facility of checking and transferring the balance of their accounts through a normal cell phone which is more affordable to the target group and general economy.

3) Overdraft/ Loan Benefits:

The account holder can take the benefits of Rs.5000.Provision of overdraft up to 5000/- is projected to have multi dimensional benefits like; this exigency fund shall be a great support for poor borrower in meeting out their basic needs like health, farming etc. Provision of up to Rs. 5000/- as overdraft is provided after 6 months of satisfactory operation/saving/credit history (it is a credit and

not grants). Overdraft facility up to Rs. 5000/- is available in only one account per household, preferably lady of the household.

4) Direct Benefit Transfer:

PMJDY under this system those bank accounts which are connected to Aadhar Id's can avail government subsidies by electronic transfer directly into their accounts.e.g Gas and food subsidies.

5) Micro-Insurance under PMJDY:

The scheme focuses on providing micro insurance to the people. Insurance Regulatory and Development Authority (IRDA) has created a special category of insurance policies called micro-insurance policies to promote insurance coverage among economically vulnerable sections of society. A general micro insurance product could be i) Health insurance contract and ii) Any contract covering belongings such as Hut, Livestock, Tools and instruments or any personal accident contract. These can be on an individual or group basis.

6) Life insurance and accidental cover:

Under this scheme the bank accounts comes with Rupay debit card with accidental cover of Rs. 1 lakh as well as a life insurance cover of Rs. 30,000 for all those whose subscribed to a bank account for the first time during the period of 15th Aug. 2014 to 26th Jan, 2015. To get benefits of accidental insurance cover, Rupay debit card must be used at least ones in 45 days.

CHALLENGES OF THE PRADHAN MANTRI JAN DHAN YOJANA:

1. Insurance companies have to fix a nominal premium to cover the risk of the account holders in case it is not done the state owned LIC may batter with financial losses.
2. KYC norms are not insisted under this programme, therefore duplication is unavoidable.
3. Bank correspondence i.e. bank mitra is the idea before the finance ministry were as creating infrastructure mitra for business mitra, including computers, micro ATM, Biometrics scanners and internet connectivity may be a major concern.
4. There is a commitment on the part of the government to provide Rs. 50,000 towards equipments, Rs. 25,000 towards working capital and Rs. 50,000 towards vehicle. These arrangements have been made without budgeting provisions.
5. Private Banks levy hidden charges on the beneficiary which may become a deterrent for the financial inclusion.
6. Making every village a Swavalamban village is considered to be an advantage but the lack of infrastructure may become a major hurdle for the effective implementation.
7. RBI has to set in a roadmap for the financial inclusion to be effectively implemented by the Indian banking system.
8. Budgetary provisions have not been made by the government to provide incentives, otherwise the financial status of the banks may be ruined.

SUGGESTIONS:

1. A budgetary provision may be made by the government for the poverty eradication under which significant amount can be charged through nationalized banks for transmitting the benefits to the beneficiaries.
2. More centers of financial literacy may be established to bring excluded people under financial inclusion.
3. Duplication of accounts by single person shall be checked under KYC details.
4. The ATM needs to be strengthened in terms of more Kiosks not only in urban but also in rural areas of

India.

CONCLUSION:

Pradhan Mantri Jan Dhan Yojana (PMJDY) implemented in large scale requires determination and attitude towards success path. The PMJDY scheme has substantial growth in number of accounts opened. PMJDY is a national mission on financial inclusion which is concentrated as individual household with an aim to provide formal financial support through the organized financial system. The challenge is the conversion of the non operative accounts with zero balance into operative and for this very important to focus on financial literacy programme. The benefits of the scheme were highlighted in the study by providing bunch of financial products and universal banking facilities of insurance, credit guarantee fund and pension at affordable rate, this scheme has attracted mass of population of India. The scheme is based on "Sub Ka Sath Sub Ka Vikas". The PMJDY scheme is fully helpful to rural and urban area people in getting directly government financial services. The PMJDY scheme has created and impressive result in the banking sector with regard to eradication of financial untouchability in the country. The successful launch of this PMJDY scheme also strengthens the resolve that when coordination, dedication, opportunism, commitment, formalization, dependence, trusts, satisfaction, cooperation and continuity is provided by all the constituents and stakeholders, a framework of construct is created which act as a dominant force for accomplishment of the mission.

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