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Jan Dhan Yojana is a way for financial inclusion in rural India

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Abstract

The objective of financial inclusion in India is to integrate the entire population, particularly the poor and rural communities, into the formal banking system. Despite persistent challenges, the government has prioritized financial inclusion to provide access to credit and financial services for all segments of society. This effort aims to promote savings habits, especially in rural areas, by encouraging people to utilize secure and regulated banking services.

A key initiative towards achieving financial inclusion is the Pradhan Mantri Jan Dhan Yojana (PMJDY). This scheme has played a crucial role in opening millions of bank accounts for previously unbanked individuals, particularly in rural and underprivileged areas. PMJDY provides no-frills accounts, RuPay debit cards, accident insurance, and other benefits, making banking accessible to the masses. This has positively impacted the savings habits of the rural poor, fostering a culture of savings and financial security. Furthermore, financial inclusion through PMJDY has contributed to reducing leakages in subsidy and welfare distribution. The Direct Benefit Transfer (DBT) ensures that government subsidies and welfare payments are directly credited to beneficiaries' bank accounts, minimizing corruption and enhancing efficiency and transparency in benefit distribution.

To comprehensively assess the impact of financial inclusion through PMJDY on rural savings, a thorough evaluation should consider factors such as the number of new bank accounts opened, the amount of savings mobilized, changes in household financial behavior, and the utilization of credit facilities offered by the banking system. Overall, the initiative has made significant strides in bringing the unbanked population into the formal financial fold, positively influencing savings habits and contributing to more efficient welfare distribution..

Keywords: Jan Dhan Yojana, Direct Benefit Transfer, Financial inclusion, economic empowerment

Introduction

Financial inclusion, as defined by the Rangarajan Committee, refers to the process of providing access to financial services and credit to vulnerable and marginalized groups at an affordable cost. It aims to ensure that all sections of the population, especially the weaker sections and low-income groups, have access to basic financial services such as savings accounts, credit facilities, insurance, and other financial products.

The Jan Dhan Yojana is indeed an extraordinary effort by the Indian government to achieve financial inclusion on a large scale. By providing no-frills bank accounts, RuPay debit cards, insurance coverage, and overdraft facilities, the scheme has brought millions of unbanked individuals into the formal banking system. It has played a crucial role in bridging the gap between the financially excluded and the formal financial services.

The success of the Jan Dhan Yojana can be attributed to strong leadership and a focused approach by the government. The scheme's implementation has been driven with determination, leading to significant progress in financial inclusion across the country. The direct benefit transfer (DBT) component of the scheme has also helped in eliminating leakages in welfare payments, making the system more efficient and transparent.

Inclusive growth has been a core objective of India's development plans, with a focus on ensuring that the benefits of economic growth are shared equitably among all segments of society. Financial inclusion is a critical component of achieving inclusive growth as it empowers individuals, especially those from vulnerable sections. By giving them access to formal financial services and opportunities for economic advancement.

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The Rangarajan Committee's recommendations and the government's initiatives like the Jan Dhan Yojana have played significant roles in promoting financial inclusion in India. Continued efforts in this direction, along with financial literacy programs, innovation in financial products and services, and targeted interventions, are essential to further deepen financial inclusion and foster inclusive growth in the country.

Existing challenges in achieving complete financial inclusion in India

Despite the government's efforts, a significant portion of the population, especially in rural areas, still lacks access to formal banking services. The figures you mentioned show that a substantial number of households remain unbanked, with millions of people excluded from basic financial services.

The proposal to issue Smart Cards (RuPay Cards) to enable customers to operate their accounts without the need for Business Correspondents (BCs) is a step towards enhancing accessibility and convenience for those who face difficulties in accessing physical banking facilities. Smart Cards can provide a means for financially excluded individuals to manage their accounts and avail of banking services digitally, thereby overcoming geographic barriers and promoting financial literacy and inclusion.

Financial services, as you mentioned, encompass a wide range of products and offerings provided by various financial intermediaries. These services, including deposits, loans, insurance, and payment facilities, are crucial for economic participation and empowerment. By extending these services to vulnerable groups and weaker sections of society, financial inclusion aims to uplift them from poverty and improve their overall economic and social well-being.

Banks indeed play a pivotal role in facilitating financial inclusion, acting as gateways to basic financial services. As the most accessible and widespread financial institutions, they are essential in ensuring that marginalized populations can participate in the formal financial system. When people are banked, they gain access to credit, savings opportunities, and secure methods for conducting transactions, fostering financial stability and resilience.

Financial inclusion goes beyond providing access to bank accounts; it also involves creating awareness and financial literacy among the financially excluded. Raising awareness about the benefits and usage of banking services is crucial for people to leverage these services effectively and make informed financial decisions.

Addressing financial exclusion requires a multifaceted approach, including enhancing the reach of formal banking services, developing appropriate financial products for specific needs, promoting digital financial literacy, and fostering a conducive environment for financial inclusion initiatives. Collaborative efforts from the government, financial institutions, regulators, and civil society are vital to achieving comprehensive financial inclusion in India and ensuring that all segments of society have the opportunity to participate in the country's economic growth and development.

Achieving financial inclusion for the unbanked masses is a critical step that holds immense potential for the overall growth and prosperity of the Indian economy. It requires concerted efforts from various stakeholders, including political will from the government, support from

bureaucratic institutions, and persistent advocacy from regulatory bodies like the Reserve Bank of India (RBI).

The unbanked population represents a significant segment of the bottom of the pyramid in the Indian economy. By bringing them into the formal banking system, financial inclusion can unlock their untapped potential, leading to economic empowerment and inclusive growth. When people have access to basic financial services such as savings accounts, credit, insurance, and digital payment facilities, they can better participate in economic activities and build financial security.

Financial inclusion can be a catalyst for economic and social development, as it complements the government's developmental programs and initiatives. By providing access to financial services to vulnerable and marginalized groups, these programs can have a more significant impact and reach the intended beneficiaries more effectively.

Moreover, the integration of financial inclusion efforts with advancements in banking technology can create transformative changes. The use of digital platforms and mobile banking services can extend the reach of formal financial services to remote and underserved areas, overcoming geographical barriers and increasing convenience for the unbanked masses.

Inclusive growth, which aims to ensure that the benefits of economic growth are shared across all sections of society, can be bolstered through financial inclusion. When more people have access to financial resources and opportunities, they can participate more actively in economic activities, leading to a more equitable distribution of wealth and opportunities.

Overall, financial inclusion is a powerful tool that can drive economic and social development in India. It requires collaboration and commitment from the government, financial institutions, regulatory bodies like RBI, and other stakeholders. By embracing financial inclusion as the next revolution of growth and prosperity, India can make significant strides toward achieving inclusive and sustainable development.

Pradhan Mantri Jan Dhan Yojana (PMJDY)

Jan Dhan Yojana, officially known as the Pradhan Mantri Jan Dhan Yojana (PMJDY), is a flagship financial inclusion program launched by the Government of India in August 2014. The primary objective of the scheme is to provide access to banking and financial services to the unbanked and underbanked populations in rural and urban areas of India.

Financial inclusion aims to bring marginalized and economically weaker sections of society into the formal financial system, enabling them to avail themselves of various banking and financial services, such as savings accounts, insurance, credit, and pension facilities. By promoting financial inclusion, the government aims to empower the poor and marginalized segments of the population and provide them with opportunities for economic growth and social development.

Silent features of the Pradhan Mantri Jan Dhan Yojana include

1. **Opening of Bank Accounts:** The scheme encourages the opening of basic bank accounts for every household in India, particularly targeting those who do not have access to banking services.
2. **Zero Balance Accounts:** The accounts opened under

the scheme can be zero-balance accounts, which means customers can open accounts without any minimum balance requirements.

3. **RuPay Debit Cards:** Each Jan Dhan account holder is provided with a RuPay debit card, which allows them to make cashless transactions and access various banking services.
4. **Insurance Coverage:** Account holders are provided with insurance coverage under the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY).
5. **Direct Benefit Transfer (DBT):** The Jan Dhan Yojana facilitates the direct transfer of government subsidies, benefits, and welfare payments into the bank accounts of beneficiaries, eliminating leakages and promoting transparency.
6. **Insurance Coverage:** The scheme includes a life insurance cover of Rs. 30,000 and an accidental insurance cover of Rs. 2 Lakhs for account holders, providing some financial security to the vulnerable population.
7. **Overdraft Facility:** After satisfactory operation of the account for some time, account holders may become eligible for an overdraft facility of up to Rs. 10,000, providing them with access to credit.
8. **Financial Literacy:** The Jan Dhan Yojana also emphasizes financial literacy and education to empower account holders with the knowledge to manage their finances effectively.

Since its launch, the Pradhan Mantri Jan Dhan Yojana has made significant progress in increasing financial inclusion in rural India. Millions of previously unbanked individuals now have access to banking services, and the scheme has played a crucial role in promoting financial literacy and empowering individuals economically. However, challenges remain, and continuous efforts are required to ensure the sustainability and effectiveness of financial inclusion initiatives in rural India.

PMJY and Financial Inclusion

PMJY, which stands for Pradhan Mantri Jan Dhan Yojana, is a flagship financial inclusion scheme launched by the Government of India in 2014. As mentioned earlier, the primary objective of PMJY is to ensure financial inclusion by providing access to formal banking services to every household in the country, especially to the unbanked and underbanked population.

PMJY is a significant step towards achieving financial inclusion in India. The scheme aims to bring the financially excluded into the formal banking system by offering basic savings bank deposit accounts (no-frills accounts) with zero minimum balance requirements. Under this scheme, every account holder is also provided with a RuPay debit card, insurance coverage, and the possibility of an overdraft facility after satisfactory operation of the account.

Key components of PMJY and their role in financial inclusion include

1. **No-Frills Bank Accounts:** PMJY offers basic savings accounts that can be opened with minimal documentation, making banking accessible to all, including those from vulnerable and low-income groups.

2. **RuPay Debit Cards:** The issuance of RuPay debit cards enables account holders to transact digitally, promoting financial inclusion in regions where physical banking infrastructure is limited.
3. **Direct Benefit Transfer (DBT):** PMJY facilitates the direct transfer of government subsidies, benefits, and welfare payments into the bank accounts of beneficiaries, ensuring timely and transparent delivery of financial assistance.
4. **Insurance Coverage:** PMJY provides life insurance and accidental insurance coverage to account holders, offering some financial security to the vulnerable population.
5. **Overdraft Facility:** The overdraft facility, offered after satisfactory banking operations, provides access to credit, which can be especially beneficial for the economically disadvantaged.

Through PMJY, millions of previously unbanked individuals have been brought into the formal banking system. As a result, the financial inclusion landscape in India has witnessed significant transformation. PMJY has played a pivotal role in reducing the number of unbanked households and has increased the usage of formal banking services in both rural and urban areas. However, while PMJY has made significant progress in advancing financial inclusion, there are still challenges to address, such as enhancing financial literacy, encouraging active usage of bank accounts, and extending digital financial services to remote areas. Continuous efforts and collaboration among the government, financial institutions, and regulators are essential to sustain and deepen the impact of PMJY and further drive financial inclusion in India.

The Comprehensive Financial Inclusion Plan (CFIP), also known as Sampoon Vitta Samaveshan, was announced by Prime Minister Narendra Modi in his Independence Day speech on August 15, 2014. It is a national mission aimed at achieving comprehensive financial inclusion in India. The plan seeks to ensure access to a wide range of financial services, including banking savings/deposit accounts, remittance services, credit facilities, insurance, and pension options, in an affordable manner for all citizens.

The centrepiece of the CFIP is the Pradhan Mantri Jan Dhan Yojana (PMJY), which is the world's largest financial inclusion initiative implemented by any developing country. PMJY encourages every household in India to have at least one electronic bank account, even if it has zero balance. For accounts with the cheque facility, a minimum balance is required.

To facilitate financial inclusion, the plan involves the establishment of more bank branches in unbanked areas, extending formal financial services to every part of the country. Technology adoption plays a crucial role in this endeavour, as digital banking and mobile services can enhance accessibility and convenience, especially in remote and underserved regions.

The Reserve Bank of India (RBI) has issued guidelines for payment banks and small banks as part of the CFIP to promote financial inclusion further. These banks cater to specific segments of the population and are equipped to offer simplified and reliable financial products and services to meet the needs of the financially underserved.

RBI Governor Raghuram Rajan highlighted the significance of simplicity and reliability in financial inclusion. While it

may not be a cure-all, it can empower the poor by providing access to secure savings options, reliable money transfer methods, quick credit facilities, easy-to-understand insurance products, and avenues for retirement savings.

By promoting financial inclusion, the CFIP aims to liberate the poor from dependence on inefficient public services and unscrupulous money lenders. It can act as a powerful tool to improve the economic and social well-being of the financially excluded sections of society. Overall, the comprehensive financial inclusion plan envisions a more inclusive and financially empowered India, ensuring that every citizen has access to formal financial services and opportunities for economic advancement.

The main objective of PMJY is to ensure financial inclusion

The main objective of Prime Minister Narendra Modi's government, particularly through the Pradhan Mantri Jan Dhan Yojana (PMJY), is to ensure the proper utilization of financial resources in the country and promote financial inclusion for all sections of society. The PMJY plan was launched with several key objectives in mind:

1. **Opening Bank Accounts:** The plan aimed to open bank accounts for 75 million poor households that were previously unbanked, bringing them into the formal banking system and providing them access to various financial services.
2. **Overdraft Facility and RuPay Debit Card:** Each bank account under PMJY is provided with an overdraft facility of up to Rs. 5000, allowing account holders to access credit in times of need. Additionally, a RuPay debit card is issued to facilitate easy and secure transactions.
3. **Accident Insurance Cover:** PMJY also offers an accident insurance cover of Rs. 1 lakh to account holders, providing some financial security to vulnerable populations.
4. **Linking Aadhaar Numbers:** The plan emphasizes linking Aadhaar numbers (unique identification numbers) with bank accounts to facilitate the direct transfer of government subsidy payments for various welfare programs. This initiative aims to reduce leakages and ensure that benefits reach the intended beneficiaries directly.

The Finance Minister, in a statement on August 13, 2015, highlighted the significant progress made under the PMJY. Banks mobilized deposits worth Rs. 21,000 crores, indicating the success of the scheme in encouraging more people to save and utilize formal banking services.

The PMJY has been a transformative initiative in India's financial landscape, bringing millions of unbanked individuals into the formal banking system and providing them with access to essential financial services. By promoting financial inclusion, the government aims to ensure that every citizen has the opportunity to participate in the country's economic growth and development and utilize financial resources for their betterment.

Measures for financial inclusion

Several measures and recommendations have been adopted in recent years to promote financial inclusion in India. These initiatives are aimed at increasing access to formal banking services and financial products for the

economically disadvantaged and unbanked populations. Some of the key measures and recommendations include:

1. **Adding Rural Household Accounts:** The Committee on Financial Inclusion recommended that commercial banks, including Regional Rural Banks (RRBs), add a minimum of 250 rural household accounts each year at their rural and semi-urban branches. This ensures a proactive approach to extending banking services to underserved areas.
2. **Appointing Individuals as Business Facilitators:** The committee suggested allowing individuals such as retired bank officers, ex-servicemen, etc. to be appointed as business facilitators, business correspondents, or credit counsellors. These individuals can act as intermediaries and promote financial services in remote areas.
3. **No-Frills Accounts:** The Reserve Bank of India (RBI) issued guidelines in its 2005-06 credit policy to make available "no-frills" accounts with minimal or zero balance requirements and charges. This encourages more people, especially those with low incomes, to open bank accounts.
4. **Regional Language Materials:** To cater to diverse linguistic populations, all printed bank materials are required to be made available in regional languages, making banking services more accessible and understandable for individuals in different regions.
5. **Simplification of KYC and Aadhaar Procedures:** The Know Your Customer (KYC) and Aadhaar card procedures have been simplified for low-income individuals, reducing the documentation and formalities required to open and operate bank accounts.
6. **Tie-ups with Common Service Centers:** Banks have collaborated with common service centres to extend their reach to remote areas, making it easier for people in those regions to access banking services.
7. **Mobile Banking:** Greater coordination between mobile telephone companies and banks is necessary to enhance mobile banking services, which can be a game-changer in promoting financial inclusion, especially in areas with limited physical banking infrastructure.
8. **State Government Support:** The central government acknowledges that the support of state governments is crucial for the success of financial inclusion initiatives. Collaboration and coordination between the central and state governments can lead to better implementation of financial inclusion plans.
9. **Commercial Viability:** Ensuring commercial viability is essential for the sustainability and scalability of financial inclusion initiatives. Financial products and services need to be tailored to the needs of low-income individuals and designed to be economically feasible for both banks and customers.
10. **PMJY's Role:** The Pradhan Mantri Jan Dhan Yojana (PMJY) plays a pivotal role in financial inclusion efforts, as it is one of the world's largest financial inclusion schemes, targeting the unbanked population and bringing them into the formal banking system.

By implementing these measures and recommendations, India is taking significant strides toward achieving comprehensive financial inclusion, empowering marginalized populations, and fostering inclusive economic growth and development.

Progress of PMJY: At a glance, table 1 shows the success story of the PMJY**Table 1:** PMJY Progress (Figures in crores)

SL. No.		No. of Accounts Opened			No. of RuPay Debit Card	Balance in Accounts	% of Zero Balance Accounts
		Rural	Urban	Total			
1	Public Sector Banks	6.9	5.8	12.7	11.9	14357.5	52.3
2	Private Sector Banks	2.5	0.4	2.9	2.1	3258.5	52.1
3	Regional Rural Banks	0.4	0.3	0.7	0.6	1068.6	49.3
	Total	9.79	6.5	16.3	14.5	18684.6	52.2

Source: RBI (2015)

From the table-1 it is clear that for the success of PMJY the public sector banks play the major role than the private and the RRBs. It also shows that at the time of launch, PMJY targeted the opening of 7.5 crore bank accounts. But as on January 26, 2015, it achieved a record-breaking success. Uses of various technologies like ATM, DBT, Mobile connectivity, Aadhar cards, and Media also play important roles for this grand success of the national scheme.

In the earlier schemes taken by the government were limited within the rural areas. But PMJY covered all the rural, semi-urban and urban areas equally. Another outcome of the plan is the insurance coverage of the common people. According to the Ministry of Finance data, out of 21.05 crore households in India, 20.99 crores (i.e. 99.74%) have been successfully covered till date. Though the opening of a zero balance account is a first and foremost criterion of financial inclusion of linkages with banking institutions and a huge task are lagging behind. The challenge lies in opening a single loan product which is not linked to the purpose of the loan. The next challenge is to ensure the availability of adequate credit to the rural households uniformly all over the country according to the credit absorption capacity of the rural poor. To do this a large number of banks must be opened into the rural unbanked areas with efficient skilled bank officers to cater for the needs of the rural borrowing households. To get better and quick results the PMJY must be tied up with SHGs and MGNREGA. The PMJY undoubtedly created a positive environment for universal financial inclusion. But it should be judged on the basis of the profitability and viability of the un-banked areas. Another way is to quick access to the success point and the mode of operation must be more transparent. Both the state and central governments have to do with a cooperative friendly manner. But for total success of the national scheme we have to go a long journey.

Conclusion

PMJY has been a significant step towards promoting financial inclusion and boosting savings habits among the rural poor. Continued efforts in this direction, combined with financial literacy programs and support for credit facilities, can further enhance the positive impact of financial inclusion on the overall economic growth and well-being of the country. Financial inclusion through PMJY ensures regularity flow of liquidity in households and therefore opportunities for investment. PMJY has yielded results and nearly 98% of households in India now have bank accounts. The introduction of the national plan PMJY with other type of financial inclusions like the Gold Monetization Scheme and MUDRA undoubtedly yield a good result. The key players in the market are banks, micro-finance institutions, SHGs, post offices and MUDRA. More stress should be given to the amalgamation of the Atal

Pension Yojana (APY) with the PMJY. The objective of "Make in India" is expected to be strengthening by inclusive growth yielding higher employment and output for the economy. The PMJY scheme is sure to take India forward to the future and make it a more stable country. There is also an employment opportunities for young youth of this country to participate in this mission-mode national programme.

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