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## Jan Dhan Yojana in India: A brief study

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### Abstract

In present era, as India have huge population but a big section of the society including weaker section people and people living in backward areas or rural areas does not have access to the financial system of the country, even most of the people belong to this category are not aware about the services provided by banks in India. For dealing with this gap Prime Minister of India recently launched Pradhan Mantri Jan Dhan Yojana (PMJDY) with the aim to get rid of financial un-touchability, help to eradicate poverty and encourage Indian households to save more. Thus, present study focuses on to know the implementation and benefits of Pradhan Mantri Jan Dhan Yojana, to understand the progress of Pradhan Mantri Jan Dhan Yojana, to study the challenges of Pradhan Mantri Jan Dhan Yojana and to make suggestions for effective implementation of the scheme.

**Keywords:** PMJDY= Pradhan Mantri Jan Dhan Yojana

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### Introduction

Pradhan Mantri Jan Dhan Yojana (PMJDY) is a social upliftment scheme will ensure financial access to everyone who was not able to get benefits of many other government related financial schemes. This scheme is available to every individual in the country include bank savings and deposit in accounts, transfer of funds, credit facilities insurance coverage, pension/ annuities cover in an easy and affordable mode. This scheme launched in the year 15<sup>th</sup> August, 2014 by Prime Minister Narendra Modi to integrate the poor section with bank accounts. Under the PMJDY, anyone who is an Indian citizen above age of 10 years and does not have a bank account can open the account with zero balance. Account can be opened in any bank branch of India. The procedure to opening an account is made too easier to bring up the every households of the country.

### Objectives of the study

1. To know the implementation and benefits of Pradhan Mantri Jan Dhan Yojana.
2. To understand the progress of Pradhan Mantri Jan Dhan Yojana.
3. To study the challenges of Pradhan Mantri Jan Dhan Yojana.
4. To make suggestions for effective implementation of the scheme

### Implementation of Pradhan Mantri Jan Dhan Yojana

The implementation of Pradhan Mantri Jan Dhan Yojana (PMJDY) occurred in three phases:

#### Phase I: 15 August 2014 – 14 August 2015

- PMJDY scheme was implemented during this period with an aim to provide universal access to banking facilities for all the household families across the country with at least one basic banking account with RuPay Debit Card which had an inbuilt accident insurance cover of Rs 1 lakh.
- It provided a financial literacy program to the villages.
- Issuing of the Kisan Credit Card was also proposed during this period.

#### Phase II – 15 August 2015 – 14 August 2018

It aimed at providing micro insurance to the people and pension schemes like Swavalamban to the unorganized sector through the Business Correspondents.

#### Phase III – after 14 August 2018

- PMJDY focused on opening accounts for every household with an existing Overdraft (OD) limit of Rs 5,000 to be raised to Rs 10,000. No conditions were attached for OD up to Rs 2,000.
- The age limit for availing the OD facility was revised from 18-60 years to 18-65 years.
- Under this expanded coverage, an accidental insurance cover for new RuPay card holders has raised from Rs. 1 lakh to Rs. 2 lakh if the accounts were opened after 28.8.2018.

### Six Pillars of Pradhan Mantri Jan Dhan Yojana

The programme for financial inclusion under the PMJDY is based on six pillars

### **A. Universal Access to Banking Facilities**

The foremost pillar of the PMJDY is to provide access to banking facilities and services to ensure financial inclusion of the underprivileged section of the society. Almost 6 lakh villages in the country are to be covered through Sub Service Areas. Banks are required to provide one fixed point banking outlet as either a branch or Business Correspondent (known as "Bank Mitra") to cater services to 1000 to 1500 households within a short distance of 5 kms. Technological services like internet connectivity, mobile telephone services etc will be key element for effective financial inclusion

### **B. Providing Basic Banking Accounts**

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.

### **C. Financial Literacy**

For successful implement of PMJDY awareness among the people about the benefits of formal financial system, banks, savings, credit, ATM centre, timely repayment of loans and other services is the key to success. About 718 Financial Literacy Centres have been setup and 2.2 million people have received the benefits of awareness camps, seminars and lectures during 2012-13. Increasing number of Financial Literacy Centres in rural areas will play a vital role in implementing the scheme. It is also planned to make a convergence with the National Rural Livelihood Mission and the National Urban Livelihood Mission and also to take help of NGOs working with NRLM and NULM to achieve the objective of financial literacy.

### **D. Credit Guarantee Fund**

Creation of a Credit Guarantee Fund (CGF) would be to cover the defaults in overdraft accounts. The CGF is proposed to be created and kept under the National Credit Guarantee Trust. This fund will give a security to banks to provide over draft credit and will bring in discipline in the monitoring mechanism.

### **E. Micro Insurance**

Micro insurance policy is provided under this scheme for the coverage economically vulnerable sections of the society. This facility will be available in the form of health insurance, personal accident, and insurance of house, livestock, tools, machinery and instruments. The "Bank Mitra" will be the key factor offering micro insurance policies in order to cover the rest of the beneficiaries.

### **F. Pension Scheme**

Pension payments under the Swavalamban Yojana scheme for workers in the unorganized sector will be paid through bank accounts by August 2018. It encourages them to save income on their own for their old age.

### **Features of Pradhan Mantri Jan Dhan Yojana**

1. **Objective:** Objective of "Pradhan Mantri Jan-Dhan Yojana (PMJDY)" is ensuring access to various financial services like availability of basic savings bank account, access to need based credit, remittances facility, insurance and pension to the excluded sections i.e. weaker sections and low income groups.
2. **Households:** The major shift in this programme is that households are being targeted instead of only villages as targeted earlier. The plan envisages universal access to banking facilities with at least one basic banking account for every household, financial literacy, access to credit, insurance and pension facility. It is estimated to cover 7.50 crore households with at least one account under the Yojana and also a large number of dormant accounts would be activated.
3. **Rural and Urban:** Moreover both rural and urban areas are being covered this time as against only rural areas targeted earlier.
4. **Mission:** The Yojana is being monitored in a Mission Mode with the Finance Minister being the Head of the Mission. Also an effort is being made to reach out to the youth of this country to participate in this Mission Mode Programme.
5. **Financial literacy:** Financial literacy has been accorded high priority under the Yojana. A standardized Financial Literacy material has been prepared in vernacular languages to create awareness about the Yojana.
6. **Technology:** The technological issues like poor connectivity, on-line transactions will be addressed. Mobile transactions through telecom operators and their established centres as Cash Out Points are also planned to be used for Financial Inclusion under the Scheme. Mobile Number of an account holder is entered in customer's account in CBS System by the Bank on the basis of information given in the Account Opening Form.

- 7. Direct Benefits Transfer:** The plan also envisages channeling all Government benefits (from Centre / State / Local Body) to the beneficiaries' accounts and pushing the Direct Benefits Transfer (DBT) scheme of the Union Government.
- 8. No fees:** There is absolutely no charge / fee for opening an account under PMJDY.
- 9. Age Limit:** Any adult person and any minor of above the age of 10 years can open his / her Savings Bank account in any bank.
- 10. Zero Balance:** In PMJDY accounts are being opened with Zero balance. However, if the account holder wishes to get cheque book, he/she will have to fulfill minimum balance criteria, if any of the bank.
- 11. RuPay Debit Card:** RuPay Debit Card is an indigenous domestic debit card introduced by National Payment Corporation of India (NPCI). This card is accepted at all ATMs (for cash withdrawal) and at most of the PoS machines (for making cashless payment for purchases) in the country. It provides accidental insurance cover upto Rs.1.00 lac without any charge to the customer. Point of Sale Machine is a small device installed at almost all Business Centres to facilitate cashless purchases to their customers. Branch Manager will have to advise all the related risks to the illiterate account-holder at the time of issuance of RuPay Card. Debit Card expiry date is mentioned on the Card itself. Account-holder is advised to get issued new card well before expiry date of his/her existing card by giving fresh application to the concerned bank.
- 12. No Separate Account:** A person who is already having a bank account with any bank need not to open a separate account under PMJDY. He/she will just have to get issued a RuPay Card in his existing account to get benefit of accidental insurance. OD facility can be extended in the existing account if it is being operated satisfactorily.

#### Progress of Pradhan Mantri Jan Dhan Yojana:

PMJDY 2014 is a comprehensive financial inclusion programme, While launching, there was a target of enrolling over 7.5 crore (75 million) households in the scheme and to open their accounts. The target was very much achieved and in fact, the reality exceeded the target given. As on 09 November, 2022, performance of Pradhan Mantri Jan Dhan Yojana is given below;

**Table 1:** Pradhan Mantri Jan Dhan Yojana Accounts Opened as on 09-11-2022 (All figures in crores)

Bank Group	No. of Beneficiaries at rural	No. of Beneficiaries at urban	Number of Total Beneficiaries	Deposits in Accounts (In Crore)	No. of Rupay Debit Cards issued
Public Sector Banks	23.39	13.97	37.35	136556.52	27.81
Regional Rural Banks	7.53	1.20	8.72	34599.39	3.42
Private Sector Banks	0.70	0.61	1.31	5184.61	1.11
Grand Total	31.62	15.77	47.39	176340.52	32.34

**Source:** <https://www.pmjdy.gov.in/account>

Table 1 shows that, the total number of savings bank accounts opened in rural and urban areas under PMJDY scheme. Number of RuPay debit card issued, Deposits in accounts. Number of accounts opened with zero balance under PMJDY scheme in public sector banks, Regional rural banks and private sector banks. It is found that, 47.39 crores accounts were opened under the scheme, amongst public sector banks had opened 37.35 accounts, Regional rural banks had opened 8.72 crores accounts and private sector banks had opened 1.31 crores accounts as on 09-11-2022. It also revealed that, total 32.34 crores RuPay debit card issued by banks under PMJDY as on 09-11-2022. Out of 32.34 crores, 27.81 crores RuPay debit card issued by public sector banks, 3.42 crores RuPay debit card issued by regional rural banks, and 1.11 crores RuPay debit card issued by private sector banks.

#### Benefits of Pradhan Mantri Jan Dhan Yojana

- Account holders will be provided zero balance bank account with RuPay debit card, in addition to accidental insurance cover of Rs. 1 Lakh.
- Those who open accounts by January, 2015 over and above the 1 lakh accident, they be given life insurance cover of Rs. 30,000 to be give by Life Insurance Corporation.
- After six months of opening of the bank account, holders can avail 5,000 overdrafts from the bank. Overdraft facility is of great support to the people to come out of the clutches of pawnbrokers who charge an exorbitant rate of interest.

- With the introduction of new technology introduced by National Payments Corporation of India (NPCI), a person can transfer funds, check balance through a normal phone which was earlier limited only to smart phones so far.
- Mobile banking for the poor would be available through National Unified USSD platform (NUUP) for which all banks and mobile companies have come together.
- Account holders receive cheque book, literature on financial literacy and pass book in a kit.
- Account holder will have debit card which can be used for E-Commerce transactions. Additional loan of Rs. 15,000 will be sanctioned to the account holder in case the repayment of each loan was made on time.
- Mobile banking facility would also be extended.
- Account holders would get attractive rate of interest on deposits besides availing of pension facility notified by the insurance company.

### **Challenges of Pradhan Mantri Jan-Dhan Yojana**

Although PMJDY scheme performed well in short period of time, it faces numerous challenges over long period of time. First, sustaining this performance for longer period could be one of the major challenges. Other challenges include

1. Keeping the accounts “Live”
2. Creating awareness among people about financial inclusion and PMJDY scheme
3. Covering all types of people and all areas of the country
4. Identifying appropriate technology to implement mobile financial inclusion

### **Suggestions**

- Provisions for poverty elimination should be made by the Indian Government in the budgets.
- Nationalized banks should be made responsible for direct transfer of benefits to the account holders
- The facility of ATM the form of Kiosks should be made extensive in order to cover more rural areas.
- KYC details of all should be filled and checked up so that there is no duplication of accounts.
- Financial literacy should be provided through a concerted effort of the Government and Banks.
- The RBI and Commercial banks can conduct a coordinated campaign in partnership with trainers to educate clients about the schemes of the Government.

### **Conclusion**

Financial Inclusion schemes like Pradhan Mantri Jan-Dhan Yojana have great impact on the society. Such type of schemes is providing the services to the market which is not penetrated till now. Many of the weaker section people are accessing the banking services after the launch of PMJDY but still there is a large untapped market which needs to be cover. There are so many benefits which are associated with this scheme but this scheme is facing certain challenges as well like developing banking infrastructure, illiteracy of people etc. At the end it has been observed that PMJDY turned to a stepping stone in the financial stability of the Indian economy

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