



ISSN Print: 2394-7500  
ISSN Online: 2394-5869  
Impact Factor: 5.2  
IJAR 2017; 3(1): 668-671  
www.allresearchjournal.com  
Received: 07-04-2017  
Accepted: 08-05-2017

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## **Positive step towards inclusive growth and financial inclusion: Pradhan Mantri Jan Dhan Yojna (PMJDY)**

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### **Abstract**

It is important to communicate all the people in our society with the basic banking services government of India has taken up in the recent time. Financial Inclusion has gained a highest place in the mind of people these days because it is the delivery of financial services to various disadvantaged and low class sections with the affordable cost. It enables the various techniques to promote the banking habits in the various sections of the society. The launch of Pradhan Mantri Jan Dhan Yojna (PMJDY) is the scheme is working in this direction. This scheme is not only limited to the account opening but also has other benefits like Zero Balance Account with Rupay Card and the accidental insurance. This paper is an attempt to understand the financial Inclusion and the progress and role of banking system under PMJDY in India.

**Keywords:** Financial Inclusion, Rupay Card, PMJDY, Banking System

### **Introduction**

Even after 46 years of Nationalisation of banks, financial instability and the unbanked areas are still problem for a large section of our country's population. Pradhan Mantri Jan Dhan Yojna (PMJDY) is an impressive scheme that aims to bring the millions of excluded Indian people in the main financial stream through financial Inclusion. A well Developed financial system is essential for a faster and broad based economic growth. It is highly important for economic development and human wellbeing. It brings poor people in to the maistream of the economy and allows them to contribute more actively to their personal economic development (UN 2006). Before going to the study of the scheme of PMJDY, firstly we discuss about the term "Financial Inclusion". 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. Financial Inclusion is nothing but the delivery of financial services at affordable cost to the sections of of low income group and the disadvantaged society. Financial Inclusion has an ambitious objective of covering all households in the country with banking facilities and having a bank account for each household.

*"Financial Inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost" -(The Committee on Financial Inclusion, Chairman: Dr. C. Rangarajan).*

*"Financial Inclusion, broadly defined, refers to universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products" (The Committee on Financial Sector Reforms, Chairman: Dr. Raghuram G. Rajan)*

### **Pradhan Mantri Jan Dhan Yojna (PMJDY)**

Pradhan Mantri Jan Dhan Yojana (PMJDY) is an ambitious and 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. This scheme was launched by the Prime Minister of India, Narendra Modi on 28<sup>th</sup> August, 2014.

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He had announced this scheme on his first Independence Day speech on 15<sup>th</sup> August, 2014. In a run up to the formal launch of this scheme, the Prime Minister personally mailed to CEOs of all banks to gear up for the gigantic task of enrolling over 6 crore (75 Million) households and to open their accounts. In this email he categorically declared that a bank account for each household was a “national priority”. It will be launched formally in Delhi with parallel functions at the state level and also at district and sub-district levels. Camps are also to be organized at the branch level. The Pradhan Mantri Jan-Dhan Yojana lies at the core of development philosophy of “Sab Ka Sath Sab Ka Vikas”. Pradhan Mantri Jan-Dhan Yojana (PMJDY) is National Mission for Financial Inclusion to ensure access to financial services, namely, Banking/Savings & Deposit Accounts, Remittance, Credit, Insurance, Pension in an affordable manner. Account can be opened in any bank branch or Business Correspondent (Bank Mitra) outlet. 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. It has been emphasised by the Hon'ble PM that this is important for including people left-out into the mainstream of the financial system. Reports said that, on 28th August, more than 1.5 crore bank accounts were opened in a single day. The main objective of this scheme is that easy financial services for the excluded section i.e. weaker sections and the low income group. 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. It is an approach to bring about comprehensive financial inclusion of all households in the country. The aim of the scheme is access to banking facilities, financial literacy and access to credit, insurance and pension facility. Moreover, the beneficiaries would get RuPay Debit card having inbuilt accident insurance covers of Rs. 1 Lakh.

#### Special Benefits under PMJDY Scheme

1. No minimum balance required.
2. Accidental insurance cover of Rs.1.00 lac
3. Interest on deposit.
4. Life insurance cover of Rs.30,000/-.
5. Easy Transfer of money across India.
6. Access to Pension, insurance products.
7. Accidental Insurance Cover, RuPay Debit Card must be used at least once in 45 days.
8. Overdraft facility upto Rs.5000/- is available in only one account per household, preferably lady of the household.

#### Review of Literature

Kumar & Venkatesha (2014) <sup>[10]</sup> discussed the overview of financial inclusion using PMJDY in India. One of the greatest steps ever taken to eradicate poverty is financial inclusion through PMJDY. For the success of any scheme constant review and regular check is very much essential. Successful implementation would not only reduce poverty but also puts a check on corruption. A bold first step by NDA Government indeed helped many to come into the main stream of economy and reduce financial untouchability. Khuntia (2014) attempted to study the recent developments on Financial Inclusion in India with special reference to the recently launched “Pradhan Mantri Jan-

Dhan Yojna (PMJDY)”. The author has presented an analysis of its different important areas, the roadblocks in the process and has suggested strategies to attain universal coverage of the PMJDY for the underprivileged population and the large unbanked areas of the country. Kaur & Singh (2015) <sup>[11]</sup> endeavours to study the recent trends in financial inclusion in India with special reference to Pradhan Mantri Jan Dhan Yojana (PMJDY), highlighting its key areas and suggests strategies to ensure maximum financial inclusion for the underprivileged and unbanked areas. Financial inclusion also mitigates the exploitation of vulnerable sections by the usurious money lenders by facilitating easy access to formal credit. To mitigate such sufferings, the Pradhan Mantri Jan Dhan Yojna lies at the core of Govt. of India development philosophy of Sab Ka Saath Sab Ka Vikas. Kumar (2015) <sup>[12]</sup> studied the recent trends in financial inclusions in India with special reference to PMJDY, analysis of its different key areas, the barriers in the process and suggests strategies to ensure maximum financial inclusion for the underprivileged and unbanked areas. Hussain (2015) <sup>[13]</sup> understand the need of financial inclusion through PMJDY in Indian context. To identify the proposed strategies for successful implementation of this scheme of national priority, accountable and transparent organizational structure with their predetermined contribution for implementing PMJDY will be essential for achieving the desired societal outcomes which solely depends on the execution skill of the Government. Patnaik *et. al.* (2015) <sup>[14]</sup> This study is focused in the eastern region of India and particularly capital region of Odisha, India The sample population of 137 for this study comprises of household servants, domestic helps, migrant & local construction laborers, rickshaw/cart pullers, taxi drivers and other contractual low income staff at different private institutions. Bhandari (2015) <sup>[15]</sup> proved that connecting unbanked people and households to the mainstream banking helps both society and economy. Financial inclusion should not turn out to be a mere number game. Connecting households or individuals by opening their bank accounts will definitely increase the financial inclusion count but this will surely not provide a surety for a better inclusive growth. Shiddaramappa & Bankapur (2016) <sup>[16]</sup> discuss the overview of PMJDY, main features and pillar of PMJDY, analyze the performance and progress of PMJDY Scheme till November 25, 2015. It is found that 19.34 crores bank accounts were opened out of which 35 per cent accounts were zero balance. The performance of Public Sector Banks (PSBs) is at the top with 78.26 contribution in PMJDY followed by Regional Rural Banks (RRBs) and Private Banks (PBs) with 17.97 per cent and 3.77 per cent respectively towards financial inclusion. It is also found that the highest and lowest accounts opened, deposits collected, zero balance accounts opened and RuPay debit card issued in Uttar Pradesh state and Lakshadweep state respectively. Gupta (2015) <sup>[17]</sup> studied the performance of the Pradhan Mantri Jan Dhan Yojna (PMJDY) and the latest trends being implemented for Financial Inclusion by PMJDY. Guha (2015) <sup>[18]</sup> highlighted the progress of the scheme with understanding the present scenario of Pradhan Mantri Jan Dhan Yojna and evaluate the role of the government, banks and the business correspondent in the implementation of PMJDY. The study also understand the new perspective in this scheme of the government. Shettar (2016) <sup>[19]</sup> the paper reveals that PMJDY scheme is fully helpful to rural and

urban area people in getting directly the government schemes. The study concludes 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.

### Objectives of the Study

- To understand the concept of financial Inclusion
- To study the progress made under the PMJDY.

- To study the role of government and banks in this scheme.

### Methodology of the Study

The present paper is based on secondary sources of data. Published sources include government publications and other publications like research articles published in journal and available on websites.

### Performance of PMJDY

**Table 1:** State wise number of Accounts Opened, Deposits, Zero balance accounts and Rupay card issued as on 18.03.2017

S. No	State Name	Total Accounts (Rural & Urban)	Deposit (in Crore)	Aadhaar seeded	Zero Balance Accounts	Rupay Card Issued
1	Andaman & Nicobar	54478	25.78	41695	15539	44406
2	Andhra Pradesh	8666321	1354.44	7437639	1784220	7205334
3	Arunachal Pradesh	202321	55.63	66476	54890	163562
4	Assam	11447266	2219.59	144442	3367821	8953586
5	Bihar	28172149	5195.09	15355688	6044978	19794754
6	Chandigarh	221495	88.26	186857	29242	188055
7	Chhattisgarh	12290639	1752.21	8010305	4132872	8389657
8	Dadra & Nagar Haveli	77101	25.61	53692	22526	48304
9	Daman & Diu	28822	11.33	21582	6565	18780
10	Goa	142939	79.79	97963	22809	119220
11	Gujarat	10410184	2908.47	6442915	2400089	8479734
12	Haryana	5953593	2303.83	4654341	1074164	5112324
13	Himachal Pradesh	932755	394.03	756815	130888	781457
14	Jammu & Kashmir	2144678	780.31	479664	708908	1673598
15	Jharkhand	9618181	1660.92	8165668	2486789	6852306
16	Karnataka	10495984	2419.36	7861671	2386246	9083314
17	Kerala	3219948	1017.33	2480208	608020	2431117
18	Lakshadweep	4765	5.64	4227	872	3960
19	Madhya Pradesh	24875425	3125.37	16667604	7118726	18025227
20	Maharashtra	18508299	3833.11	14765601	5652231	13563450
21	Manipur	718385	210.62	332454	169282	644974
22	Meghalaya	389658	215.36	7128	64100	214261
23	Mizoram	274862	35.3	51904	109595	98164
24	Nagaland	200382	38.62	79622	60737	164809
25	Delhi	3658086	1442.14	2849210	844133	2996986
26	Orissa	11151429	2715.65	5933472	2412864	8733160
27	Puducherry	124353	32.94	101742	21998	110413
28	Punjab	5554099	2155.77	4523603	1008507	4771266
29	Rajasthan	19628837	4978.56	14336083	3909101	16885186
30	Sikkim	82687	28.78	66911	15906	64929
31	Tamil Nadu	8712225	1508.24	4811324	1893387	7366773
32	Telangana	8729388	1300.78	7225309	2574713	7446158
33	Tripura	782778	705.66	671448	103657	721554
34	Uttar Pradesh	43556702	10218.72	24608991	10982126	34617695
35	Uttarakhand	2189699	785.98	1134742	379998	1755540
36	West Bengal	26511846	8256.14	15282942	4362615	20934615
	Grand Total	279732759	63885.36	175711938	66961114	218458628

(Source: Progress report of PMJDY)

**Table 2:** Number of Accounts Opened under PMJDY AS ON 22-03-2017

	No. of Accounts	Percentage
Public Sector Bank	225351924	80.25
RRB	46308072	16.50
Private Banks	9127813	3.25
Total	280787809	

(Source: www.pmjdy.gov.in)

Table 1 shows that the statewide accounts opened in total Rural and urban area, Ru Pay Card issued, Zero balance accounts opened, deposits in accounts and Aadhaar seeded

in India. It is found that the highest figures of Uttar Pradesh in Accounts Opened, Aadhaar Seeded, Deposits, Rupay Card issued, Zero balance account and the lowest figure of all the variables in state Lakshadweep.

As the Table2 conclude the contribution of Public Sector Banks, Regional Rural Banks (RRB) and Private Sector Banks towards the financial Inclusion under the scheme PMJD. It shows that Public Sector Banks performed better in the comparison of Private Sector and RRBs under the PMJDY. The table shows that 80.25 percent, more than 16% and more than 3% contribution made by Public Sector, Private Sector and the Regional Rural Banks respectively.

## Conclusion

The scheme launched by Pradhan Mantri under the name PMJDY is really mile stone in the history of Financial Inclusion and will help in economic development of the country. Banking system all over the country are making efforts to make this scheme successful but still lot of efforts have to be done to make this scheme completely effectiveness, because of financial illiteracy among the people of the country they do not have access to banking services. In short we can say that this scheme ensured access to number of financial services and help in inclusive growth of the nation.

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