

# Pradhan Mantri Jan Dhan Yojana: A step towards 'Sab Ka Sath Sab Ka Vikas'

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In his first Independence Day speech on 15<sup>th</sup> August'2014, Prime Minister of India had announced the National Mission on Financial Inclusion titled, '**Pradhan Mantri Jan Dhan Yojana**'(PMJDY). Now in less than a fortnight the country is geared up to launch this mega event all across the country with the Prime Minister himself launching it from the national capital. Simultaneous launch functions of the Yojana are held in the state Capitals and at all district Headquarters. Besides, camps would also be organized in the area allotted to branches of the banks.

Now what is this Yojana and how it's going to be different from the earlier schemes.....

The PMJDY has been conceived as a national mission on financial inclusion with the objective of covering all households in the country with banking facilities and having a bank account for each household. **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. It is said that since banking services are in the nature of public product, the availability of banking and payment services to the entire population without discrimination is the prime objective of financial inclusion in public policy. With a bank account, every household gains access to banking and credit facilities. This will enable them to come out of the grip of moneylenders, manage to keep away from financial crises caused by emergent needs, and most importantly, benefit from a range of financial products/benefits. Describing the task as "gigantic," the Prime Minister in an email to all bank officers has stressed the need to enroll over 7 crore households and open their accounts on urgent basis as all their development activities are hindered by this single disability.

## **Current status of financial inclusion in the country:**

Various initiatives were taken up by RBI / GoI in order to ensure financial inclusion. These include like Nationalization of Banks , Expansion of Banks branch network , Establishment & expansion of Cooperative and RRBs ,Introduction of PS lending , Lead Bank Scheme, Formation of SHGs and State specific approach for Govt sponsored schemes to be evolved by SLBC .During 2005-2006, RBI advised Banks to align their policies with the objective of financial Inclusion. Further, in order to ensure greater financial inclusion and increasing the outreach of the banking sector, it was decided to use the services of NGOs/SHGs, MFIs and other Civil Society Organizations as intermediaries in providing financial and banking services through use of "**Business Facilitator and Business Correspondent Model**".

However, as per Census, 2011, out of 24.67 crore households in the country, 14.48 crore (58.7%) households had access to banking services. Of the 16.78 crore rural households, 9.14 crore (54.46%) were availing banking services. Of the 7.89 crore urban households, 5.34 crore (67.68%) households were availing banking services. In the year 2011, Banks covered 74,351 villages, with population more than 2,000 (as per 2001 census), with banking facilities under the "Swabhimaan" campaign through Business Correspondents .However the program had a very limited reach and impact.

The present banking network of the country (as on 31.03.2014) comprises of a bank branch network of 1,15,082 and an ATM network of 1,60,055. Of these, 43,962 branches (38.2%) and 23,334 ATMs (14.58%) are in rural areas. Moreover, there are more than 1.4 lakh Business Correspondents (BCs) of Public Sector Banks and Regional Rural Banks in the rural areas. BCs are representatives of bank to provide basic banking services i.e. opening of basic Bank accounts, Cash deposits , Cash withdrawals, transfer of funds, balance enquiries, mini statements etc. However actual field level experience suggests that many of these BCs are not actually functional. Public Sector Banks (PSBs) including RRBs have estimated that by 31.05.2014, out of the 13.14 crore rural households which were allocated to them for coverage about 7.22 crore households have

been covered (5.94 crore uncovered). It is estimated that 6 Crore households in rural and 1.5 Crore in urban area needs to be covered.

### **PMJDY**

The mission mode objective of the PMJDY consists of 6 pillars. During the 1<sup>st</sup> year of implementation under Phase I (15th August, 2014-14th August, 2015), three Pillars namely (1) Universal access to banking facilities (2) Financial Literacy Programme and (3) Providing 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, will be implemented.

Phase II, beginning from 15<sup>th</sup> August 2015 upto 15<sup>th</sup> August, 2018 will address (1) Creation of Credit Guarantee Fund for coverage of defaults in overdraft A/Cs (2) Micro Insurance and (3) Unorganized sector Pension schemes like Swavlamban. In addition, in this phase coverage of households in hilly, tribal and difficult areas would be carried out. Moreover, this phase would focus on coverage of remaining adults in the households and students.

The implementation strategy of the plan is to utilize the existing banking infrastructure as well as expand the same to cover all households. While the existing banking network would be fully geared up to open bank accounts of the uncovered households in both rural and urban areas, the banking sector would also be expanding itself to set up an additional 50,000 Business correspondents (BCs), more than 7000 branches and more than 20000 new ATMs in the first phase. A comprehensive plan is necessary considering the past experience where a large number of accounts opened remained dormant, resulting in costs incurred for banks and no benefits to the beneficiaries. The plan, therefore, proposes to channel all Government benefits (from Centre/State/Local body) to the beneficiaries to such accounts and pushing the Direct Benefits Transfer (DBT) scheme of the Union Government including restarting the DBT in LPG scheme. MGNREGS sponsored by Ministry of Rural Development (MoRD, GoI) is also likely to be included in Direct Benefit Transfer scheme.

Keeping the stiff targets in mind, in the first phase, the plan would focus on first three pillars in the first year starting from 15<sup>th</sup> August, 2014. The target for setting up additional 50,000 BCs is quite challenging given the constraints of telecom connectivity. In order to achieve this plan, phase wise and State wise targets for Banks have been set up for Banks for the period 15<sup>th</sup> August, 2014 to 14<sup>th</sup> August, 2015. Roles of various stakeholders like other Departments of the Central Government, State Governments, RBI, NABARD, NPCI and others have been indicated. Gram Dak Sewaks in rural areas are proposed as Business Correspondent of Banks. Department of Telecom has been requested to ensure that problems of poor and no connectivity are resolved. It is understood that of the 5.93 lakh inhabited villages in the country (2011 census) only about 50,000 villages are not covered with Telecom connectivity.

The major shift this time in this Financial Inclusion effort of the Government is that households are being targeted instead of villages as targeted earlier. Moreover both rural and urban areas are being covered this time as against only rural areas targeted earlier. The present plan pursues digital financial inclusion with special emphasis on monitoring by a Mission headed by the Finance Minister.

While the film on 'Financial Inclusion' and the Mission Document on Financial Inclusion scheduled for release at launch, are expected to help in creating awareness, the 'account opening kit' and the mobile banking facility on the basic mobile phone (USSD) envisaged on the occasion indicates the concerns of the government to end financial exclusion and usher in a new chapter in country's governance for the people. In Prime Minister's own words this Pradhan Mantri Jan Dhan Yojana lies at the core of this government's development philosophy of **Sab Ka Sath Sab Ka Vikas**.

**Source: (PIB Features)**