

# An assessment of PRADHAN MANTRI JAN-DHAN YOJANA

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**Abstract:** Inclusion of every house-hold of India in the financial sector is the main motive of PRADHAN MANTRI JAN-DHAN YOJANA. It is like a mission launched to promote banking habits of people of India. The Prime Minister of India Narendra Modi announced it, on his first Independence Day speech on 15 August 2014. The main focus of scheme is to aware weaker sections of the society to get involved in banking activities. Within one year of its introduction, it gained a massive success. 28.99 cr. beneficiaries banked so far since three years. It has been criticized by many people like opposition and Economists, who criticize it as a step of pleasing voters and an unnecessary increase in the burden of PSUs. This revolutionary financial inclusion program needed effective use of technology and support of various PSUs. This paper sheds light on the main motive behind a massive financial inclusion program PMJDY and its effects.

**Key Words:** Economists, Financial inclusion, Revolutionary.

## 1. INTRODUCTION:

PMJDY is an enormous step taken by the MODI govt. This yojana has a determined objective of covering every household of India with banking facilities and having a bank account for each household. With a bank account, every household will become the part of Indian banking system. The scheme is a part of NDA Government's vision of India comprehensive growth. Financial inclusion of weaker sections of India is the main motive of PMJDY. Financial Inclusion is delivery of banking services at an affordable cost to the vast sections of disadvantaged and low income groups. The Financial Inclusion Plan aims at providing easy access to financial services to those sections of the society who are deprived of it so far thereby bringing them into the mainstream financial sector.(1)

The campaign has mainly focused on the supply side by providing banking facilities in the rural area having population more than 2000.

*The scheme is basically based on 6 pillars:*

- Universal access to banking facilities
- Providing Basic Banking Accounts with overdraft facility and RuPay Debit card to all households
- Financial Literacy Programme
- Creation of Credit Guarantee Fund
- Micro-insurance
- Unorganized sector Pension schemes like Swavalamban

## 2. OBJECTIVES OF THE STUDY:

- To know the motive behind PMJDY
- To know the effects of PMJDY
- To make some suggestions for smooth functioning of the scheme

## 3. REVIEW OF LITERATURE:

Research paper on, 'Financial inclusion and inclusive growth in India' by Dr. Vinit kumar, focuses on the various steps taken by RBI to promote financial inclusion like Nationalization of Banks, Expansion of Banks branch network, Establishment & expansion of Co-operative 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 (State Level Bankers Committee) etc. General credit cards (GCCs) were issued to the poor and the disadvantaged with a view to help them access easy credit.

Research paper on, 'Pradhan Mantri Jan Dhan Yojana: A Giant Leap Towards Financial Inclusion'(2014) by Dr. Sudhinder Singh Chowhan and Dr. J.C. Pande, 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.

Research paper on, 'A STUDY ON PRADHAN MANTRI JAN DHAN YOJANA – WITH REFERENCE TO NATIONALIZED BANK (BANK OF BARODA)(2014) by Sri Lakshami, D. Mamatha and Dr. Ponniah, Financial Inclusion activities are being implemented by your Bank since inception through various government-sponsored

programmes, lending to the poorest of the poor, lending to the minority communities, lending to SC/ST, lending to priority sectors, etc.

### 5. Reasons for PMJDY:

- Before PMJDY, weaker sections of the society were out of reach of the banking system.
- PMJDY will not promote weaker sections of the society to involve in the Indian banking system but also promote their savings and small investments.
- With PMJDY, Indian Banking system will grow at a faster rate.
- The expansion of deposit base of Indian banks will increase the investment in the country.
- PMJDY is a part of Digitalization policy of Modi's government.
- The best and the most significant benefit of Pradhan Mantri Jan Dhan Yojana is the provision of insurance. The opportunities of insurance coverage are limited in the rural areas and to most it is impossible to think of paying the premium for a policy.(2)
- PMJDY is specially framed for farmers and rural people, it will protect them from local money lenders, who charge high rate of interest.
- It will spread financial literacy among people which is good for the economic upliftment of people.
- Will increase insurance penetration.(4)

### 6. Effects of PMJDY:

The success of the scheme is reflected in the data below as on 04-01-2017.

- The government has opened 26.51 crore Jan Dhan accounts in the rural and urban sectors.
- Currently, there are 16.11 crore accounts opened in the rural areas and 10.40 crore accounts in the urban areas.
- The total balance in these accounts amounts to Rs.70070.79cr.(3)

### 7. Progress report of PMJDY:

Pradhan Mantri Jan - Dhan Yojana  
(Beneficiaries as on 28.06.2017)

(All figures in crore)

Bank category	Total beneficiaries	Beneficiaries at rural/semi urban centre bank branches	Beneficiaries at urban/metro centre bank branches	No. of rupay cards issued to beneficiaries	Balance in beneficiary accounts
Public sector bank	23.34	12.75	10.59	18	50522.05
RRBs	4.72	4.01	0.71	3.56	11571.79
Private sector banks	0.93	0.56	0.37	0.87	2040.82
Total	28.99	17.32	11.67	22.42	64134.66

Source:- <https://pmjdy.gov.in/account>

### 8. Bottlenecks of PMJDY:

#### *Money laundering*

With PMJDY, Hawala operators will be able to split their entire money in several JDY accounts.

#### *Lack of effective technology base*

Indian banking system is not that much capable of handling heavy traffic of banking transactions.

#### *Dormacy*

Mere access to banking system does not serve any purpose. Need of the hour is to promote awareness, banking literacy, benefits of savings, insurance among the first-timers especially rural, illiterate sections.(5)

#### *More burden on Banking officials*

28.99 crore beneficiaries banked so far since three years. Demonetization also resulted in massive increase in the burden of banking officials.

#### *Increase in NPAs*

One of the main feature of PMJDY bank account is the availability of overdraft facility of Rs. 5000. This will lead to unnecessary use of funds by the account holders.

#### *Cost to banks*

With the government's mandate in place, banks are now obligated to open branches in remote locations that are not viable for their business. (6)

## 9. CONCLUSION:

PMJDY-a biggest step towards financial inclusion, was taken to promote banking awareness among the population of India. Involvement of people in the financial system is necessary for the economic development of a country. Before PMJDY, various steps were taken by the Indian govt. to promote banking awareness in the country, but PMJDY is playing a massive role in developing banking habits. It is a sub-part of the policy of NDA govt.-sab ka sath sab ka vikas. Some economists and politicians criticized it as it will increase the unnecessary burden on the bank officials. Money laundering will become easier with this. Indian banking system is not that much capable of providing the banking services at such an enormous scale. PMJDY has not achieved a success yet, Govt. has to take various steps to make it more effective.

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