



## PRADHAN MANTRI JAN DHAN YOJANA – A TOOL TO ERADICATE POVERTY

**C.V. Kalburgi**

*Associate Professor, HKE's Smt. C.B. Patil, Arts & Commerce Degree College Chincholi.*

### **Abstract**

Even after 47 years of nationalization of commercial banks large proportion of the population of our country and most of the rural areas remains unbanked leading to financial instability. Hence most of rural people are depending on rural money lender for their financial need. The main objective of the financial institution in India is to promote sustainable development, generate more employment opportunity and alleviate poverty in rural areas by supplying various financial services to the poor people.

### **Introduction**

Almost 40 percent of Indians have no access to banking system. Even among those who have the accounts, a large number of such accounts are just the appearance. There is hardly any transaction from such accounts. According to a report prepared by Nachiket Mor Committee in December 2013, around 60 percent of India's population doesn't have functional bank accounts. A staggering 90 percent of small business has no linkages with the formal financial institutions.

Around 41 percent of 246.7 million households in India have no access to the banking services, as per the 2011 census data.

Situation is obviously worse in rural areas where 46 percent of the total 167.8 million households did not have access to banking facilities, while out of the total 78.9 million urban households, 33 percent were out of the banking net.

Exclusion of the majority of the population from any access to financial services, no doubt, inhibits the growth impetus of the country. Moreover, it creates vicious cycle of poverty. In the absence of the formal banking facilities, people depend on money lenders and forced to pay exorbitant interests. At the inaugural function of Jan Dhan scheme, the prime minister admitted that money lenders charge "five times the usual rate". The ground reality could be even worse. This forces people to perpetuate in the condition of poverty despite marginal increase in their income level.

### **Methodology**

The present paper is based on secondary data i.e. published sources like government publication, research articles in journals, periodicals and newspapers.

Financial inclusion is the need of the hour. Indian economy is the second fastest growing economy in the world. Majority of the population in India resides in the rural areas. Thus development of rural India is a key step towards economic development for a country like ours. Hence father of our nation Mohandas Karamchand Gandhi is of the opinion that the development of India lies in the development of villages.

Pradhan Mantri Jan Dhan Yojana on prime minister's scheme for people's wealth was launched on 28<sup>th</sup> Aug 2014 is an ambitious scheme for financial inclusion on his first independence day speech on Aug 15, 2014 with the slogan "Mere khata-bhagya vidhata". Launching the scheme the prime minister said not even 65% of the people have bank accounts, even after 68 years after independence. He said if 40% of Indians are not part of the economy how can we be successful in eradicating poverty. So he said "A bank account for each household is a maximal priority".

### **Highlights**

The PMJDY lies at the core of our development philosophy of "sab ka sath sab ka vikas". The plan envisages financial inclusion of the excluded sections under six pillars and is proposed to be achieved by August 15, 2018 in two phases.

#### **Phase-I: Aug 15, 2014 to Aug 15, 2015**

1. Universal access to banking facilities for all households across the country through a bank branch or a fixed point Business Correspondent (BC) within a reasonable distance.
2. To cover all households with at least one basic banking accounts with RuPay Debit card having inbuilt accident insurance cover of Rs. 1 Lakh. Further an overdraft facility upto Rs. 5000 will also be permitted to Aadhaar enabled accounts after satisfactory operation in the account for 6 months.
3. Financial literacy programme which aims to take financial literacy upto village level.



4. The mission also envisages expansion of Direct Benefit Transfer (DBT) under various government schemes through bank accounts of the beneficiaries.
5. The issuance of Kisan Credit Card (KCC) as RuPay Kisan card is also proposed to be covered under the plan.

#### **Phase-II: Aug 14, 2015 to Aug 14, 2018**

1. Providing micro-insurance to the people.
2. Unorganized sector pension schemes like swablamban through the business correspondents.

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 Pradhan Mantri Jan Dhan Yojana is launched with the objectives of financial inclusion of the poor and rural population giving them dignity and financial independence under six pillars.

The six pillars of the PMJDY are as follows:

#### **a) Universal Access to Banking Facilities**

Universal access to banking facilities for all households through a bank branch or a fixed point business correspondent called "Bank Mitra".

#### **b) Providing Basic Banking Accounts**

Census 2011 estimated that out of 24.67 core households in the country, 14.48 core households had access to banking services. Public Sector Banks (PSBs) and Regional Rural Banks (RRBs) have estimated that out of the 13.14 core rural households which were allocated to them, about 7.22 core have been carried by March 31, 2014. This leaves about 5.92 core rural households to be covered, considering field level data mismatches the target is to cover about 6 core uncovered households in the rural areas. In addition it is estimated that about 1.5 core households are uncovered in urban areas. Thus, target will be to open 7.5 core bank accounts in one year.

#### **c) Financial Literacy and Credit Counseling (FLCC)**

The present plan aims to expand the FLCCs to the block level and creation of a financial literacy cell in all rural branches.

It is proposed to provide basic financial literacy including operating an ATM card and benefits of the repayment of the overdraft due during the camps to be conducted for account opening.

#### **d) Credit Guarantee Fund**

The fourth pillar of this plan is creation of a credit guarantee fund. To give a comfort to banks to provide OD limit and to bring in discipline in the monitoring mechanism, it is proposed to create a Credit Guarantee Fund (CGF) and house under National Credit Guarantee Trust (NCGT).

#### **e) Micro Insurance**

The fifth pillar of this plan is to provide micro-insurance to the people. Insurance Regulatory and Development Authority (IRDA) Regulations 2005 defines and unable a special category of insurance policies called micro-insurance policies to promote insurance coverage among economically vulnerable sections of society. A micro-insurance policy can be a general or life insurance policy with a sum assured of Rs. 50,000 or less.

#### **f) Unorganized Sector Pension Schemes Like Swavlamban**

To encourage workers in the unorganized sector to save voluntarily for their old age, an initiative called "Swavlamban Scheme" a co-contributory pension scheme was launched on Sep 26, 2010, where in the Central Government would contribute a sum of Rs. 100 per annum in each National Pension Scheme (NPS) account opened and having a saving of Rs. 1000 to Rs. 12000 per annum for a period not exceeding five years. The scheme runs up to financial year 2016-17.

In this context, PMJDY differs from the previous approach not merely because it seeks to implement inclusion through a mission-mode approach, but also offers a RuPay Debit card, micro insurance and emphasis on banking coverage of households rather than coverage of villages. At the time of launch, PMJDY targeted the opening of 7.5 crore bank accounts by Jan 26, 2015 but achieved record breaking success.



**Table1: Progress of PMJDY**

S. No		No. of accounts opened			No. of RuPay Debit Cards	Balance in accounts	% of a Balance Accounts
		Rural	Urban	Total			
1.	Public Sector Banks	6.9	5.8	12.7	11.9	14357.5	52.3
2.	Private 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

### Conclusion

The PMJDY is conceived with the reference of financial inclusion of the poor and rural population giving the dignity and financial independence. The PMJDY a national mission on financial inclusion has the objective of covering all households on the country with banking facilities and having a bank account for each household. A standardized financial literacy material has also been prepared in vernacular languages and create awareness about the yojana. The PMJDY heir at the core of our development philosophy of “Sab ka sath sab ka vikas”. There is evidence that financial inclusion is crucial for poverty reduction banking services will help in better targeting of subsidies and welfare schemes. It will also help to improve measurement of economic growth of development.