

## A STUDY OF PRADHAN MANTRI JAN DHAN YOJANA (PMJDY) SCHEME IN ODISHA AND CHALLENGES OF FINANCIAL INCLUSION

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### **ABSTRACT**

*Pradhan Mantri Jan-DhanYojana (PMJDY) is a National Mission for Financial Inclusion to ensure access to financial services, namely, Banking/ Savings & Deposit Accounts, Remittance, Credit, Insurance, Pension in an affordable manner. Since the launch of this scheme in 2014, it has created a milestone in bringing millions to the banking services. It is a crucial scheme of Government to achieve financial inclusion of the mass and making a progress towards inclusive growth. This paper tries to study the scheme in details and its progress across the country as well as in the state of Odisha.*

**KEYWORDS:** *PMJDY, Financial Inclusion, Deposit Account, Inclusive Growth*

### **INTRODUCTION**

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). The objective of financial inclusion is to ensure delivery of financial services which include - bank accounts for savings and transactional purposes, low -cost credit for productive, personal and other purposes, financial advisory services, insurance facilities (life and non-life) etc.

Since Independence of India, there have been constant efforts towards financial inclusion of the poor and underprivileged in rural and urban areas. The evolution of financial inclusion can be traced from the cooperative movement during the 1920s under the British era, From that day onwards the banking and financial services in India has made many transformations to make the banking more inclusive and the service more affordable to the poor and unbanked. The steps like priority sector lending, lead bank scheme, service area approach, a creation of National Bank for Agriculture and Rural development, the introduction of regional rural banks/ local area banks, Microfinance, Kisan credit cards, business correspondence and finally Pradhan Mantri Jan-DhanYojana. All these steps aimed at bringing banking and financial services closer to the people. The current scheme of Pradhan Mantri Jan DhanYojana is comprehensive, flexible and innovative. It aimed at providing a bouquet of financial services to meet the needs of the end user.

### Basic Features of Pradhan Mantri Jan DhanYojana (PMJDY)

**Pradhan Mantri Jan DhanYojana (PMJDY)** is a National Mission on Financial Inclusion encompassing an integrated approach to bring about the comprehensive financial inclusion of all the households in the country. This is a financial inclusion scheme which was officially launched on 15 August 2014 by Prime Minister Narendra Modi. The main purpose behind the launch of this program was to ensure an easy financial access to everyone at a national level.

PMJDY Account can be opened in any bank branch or Business Correspondent (Bank Miter) outlet. Accounts opened under PMJDY are being opened with Zero balance. However, if the account-holder wishes to get chequebook, he/she will have to fulfill minimum balance criteria. Special Benefits under PMJDY Scheme are as follows,

- Account holders will be provided bank accounts with no minimum balance.
- Accidental insurance cover of Rs. 1 lac
- Interest on deposit.
- The scheme provides life cover of Rs. 30,000/- payable on the death of the beneficiary, subject to fulfillment of the eligibility condition.
- Easy Transfer of money across India
- Beneficiaries of Government Schemes will get Direct Benefit Transfer in these accounts.
- After the satisfactory operation of the account for 6 months, an overdraft facility will be permitted
- Access to Pension, insurance products.
- The Claim under Personal Accidental Insurance under PMJDY shall be payable if the Rupay Cardholder has performed minimum one successful financial or non-financial customer induced transaction at any Bank Branch, Bank Mitra, ATM, POS, E-COM etc. Channel both Intra and Inter-bank i.e. on-us (Bank Customer/rupay card holder transacting at same Bank channels) and off-us (Bank Customer/Rupay card holder transacting at other Bank Channels) within 90 days prior to the date of an accident including accident date will be included as eligible transactions under the Rupay Insurance Program.
- Overdraft facility of Rs.5000/- is available, preferably for the women members of a house.

### REVIEW OF LITERATURE

The origins of the current approach to financial inclusion can be traced to the United Nations initiatives, which broadly described the main goals of inclusive finance as access to a range of financial services including savings, credit, insurance, remittance and other banking / payment services to all 'bankable' households and enterprises at a reasonable cost. (UNDP, 2006)

The concept of financial inclusion has gained importance since the early 2000s and it has been a common objective for many governments and central banks in developing nations. The concept initially referred to the delivery of financial services to low-income segments of society at the affordable cost. During the past decade, the concept of financial inclusion has evolved into four dimensions: easy access to finance for all households and enterprises, sound institutions

guided by prudential regulation and supervision, financial and institutional sustainability of financial institutions, and competition between service providers to bring alternatives to customers. (Mohieldin, M. &Zamir I., 2012)

In general terms, financial inclusion is about providing access to an adequate range of safe, convenient and affordable financial services to disadvantaged and other vulnerable groups, including low income, rural and undocumented persons, who have been underserved or excluded from the formal financial sector. It is also, on the other hand, about making a broader range of financial services available to individuals who currently only have access to basic financial products.” (FATF 2011a: 12).

Financial inclusion refers to the process of promoting affordable, timely and adequate access to a wide range of regulated financial products and services and broadening their use by all segments of society through the implementation of tailored existing and innovative approaches, including financial awareness and education with a view to promote financial well-being as well as economic and social inclusion. (Atkinson, A. and F. Messy, 2013)

Financial inclusion is most commonly thought of in terms of access to credit from a formal financial institution, but the concept has more dimensions. Formal accounts include both loans and deposits and can be considered from the point of view of their frequency of use, mode of access, and the purposes of the accounts. There may also be alternatives to formal accounts, such as mobile money via mobile telephones. The main another financial service besides banking is insurance, especially for health and agriculture (Demirguc-Kunt and Klapper 2012).

The importance of financial inclusion stems from various factors. First, an inability to access financial services could lead financially excluded entities to deal mostly in cash, with its attendant problems of safe-keeping. Second, the lack of access to safe and formal saving avenues could reduce their incentives to save. When saving occurs, safety and interest rate benefits may not be to the extent available in the formal system. Inadequate savings could lead households to depend on external sources of funds, in times of need. Often these sources are unregulated and carry high - interest rates. Higher interest rates increase the risk of default by borrowers. Third, the lack of credit products means the inability to make investments and significantly improve their livelihoods. As a result, small entrepreneurs often lack an enabling financial environment to grow. Fourth, the lack of remittance products leads to money transfers being the cumbersome and high risk. Fifth, the lack of insurance products means lack of opportunities for risk management and wealth smoothening. (Shankar, S.2013)

In 1999-2000 the urban areas high growth in bank accounts was accompanied by a higher reduction in below poverty line population was achieved in Jammu & Kashmir, Andhra Pradesh, Orissa, Madhya Pradesh and Rajasthan (Bhandari, 2009)

The extent of financial exclusion is found to be significantly low in North-Eastern and the Eastern States, i.e., Assam, Nagaland, Manipur, Odisha, Bihar, West Bengal, etc. (Kholi, N.2013)

## **METHODOLOGY**

The project report aims at analyzing the journey of Financial Inclusion in India. The study requires the analysis of secondary research data from sources like,

- Financial Inclusion Reports published by RBI and Government of India Committees international institutions like the International Monetary Fund and World Bank
- Scholarly research books, journals, and articles.

The financial inclusion reports have developed a sound theoretical foundation for this report. The analysis and review have provided us with core valuable insights.

## OBJECTIVE

The Objective of the report is to look at the Financial Inclusion journey covered so far, with the main focus on the ground level implementation of Jan DhanYojana. The analysis explores the extent of the scheme's success, challenges that people are facing and the supply as well as demand side constraints.

- To study the progress of financial inclusion in the country as well as in Odisha
- To know the extent of PMJDY in achieving financial exclusion/inclusion in Odisha.
- To evaluate the challenges faced in the process of financial inclusion in Odisha.

## RESULTS AND FINDINGS

Since the launch of the scheme in 2014, the number of accounts opened under PMJDY has increased manifold. The number of PMJDY accounts opened rises year on year basis in countrywide basis is shown in the (figure-1)

**Table 1: The PMJDY Accounts Opened All Over the Country**

Types	As on 30/12/2015	As on 28/12/2016	As on 27/12/2017
Number of Beneficiaries at rural/semi urban centre bank branches	121039913	159609882	181156759
Number of Beneficiaries at urban metro centre bank branches	77344620	102409576	126794503
Number of Total Beneficiaries	198384533	262019458	307951262
Deposits in Accounts(In lac)	2922556.25	7103658.91	7150116.52

(Source-www.pmjdy.gov.in)

Number of Beneficiaries at rural/semi- urban center bank branches in India under PMJDY as on 30/12/2015 was 121039913, it increases to 181156759 as on 27/12/2017 which is an increase of 49.66%.

Number of Beneficiaries of urban metro center bank branches under PMJDY as on 30/12/2015 was 77344620, it increases to 126794503 as on 27/12/2017 which is an increase of 63.9%. Certainly, it indicates that the growth, financial inclusion in urban areas is more rapid in comparison to rural areas.

The total number of beneficiary both at rural and urban areas under PMJDY in India as on 27/12/2017 is at 307951262 which is an increase of 55.22%.

**Table 2: The Number of PMJDY Accounts Opened All Over Odisha**

Types	As on 30/09/2015	As on 30/09/2016	As on 30/09/2017
Number of Beneficiaries at rural/semi urban center bank branches	4,809,064	7,916,521	6,170,055
Number of Beneficiaries at urban metro center bank branches	2,051,734	3,442,046	2,748,871
Number of Total Beneficiaries	6,860,798	11,358,567	8,918,926
Deposits in PMJDY Accounts(In lac)	Rural-42569.75 Urban-19125.96 Total-61,695.35	Rural-121828.55 Urban-52640.89 Total-174,469.44	Rural- 206179.04 Urban-90053.19 Total-296,232.23

(source-[www.slbcorissa.com](http://www.slbcorissa.com))

Number of Beneficiaries at rural/semi- urban center bank branches in Odisha under PMJDY as on 30/09/2015 was 4,809,064, it increases to 6,170,055 as on 30/09/2017 which is an increase of 28.30%. Whereas the growth of PMJDY in Rural areas at the national level is 49.66% but the growth in Odisha is only at 28.30% which way below the national level. Also at the total growth of PMJDY in Odisha during the in the last three year is way below the national average.

**Challenges of Financial inclusion in Odisha**-The attempt to expand access to the formal financial sector of which financial inclusion is a part is a continuous process. The Government, as well as the Reserve Bank of India (RBI) has been undertaking concerted measures to extend financial inclusion since independence. The earlier measures were not yielding the desired results. An urgent need to further push the financial inclusion agenda to ensure that people at the bottom of the pyramid join the mainstream of the formal financial system. A majority of the country's population due to lack of access to the banking system, making them susceptible to approach money lenders for loans, Ponzi scheme operators for deposits, lose interest on savings on idle money, and lack any insurance cover. The PMJDY came up as PM Modi's solution to extend such financial services to the entire country and end an era of what he called "financial untouchability" through the promise of economic security. The Pradhan Mantri Jan Dhan Yojana (PMJDY) has yielded results and nearly 98 per cent of households in India now have bank accounts. The Financial inclusion is far more important in Odisha; the proportion of people living below the poverty line in Odisha during 1999–2000 was 47.15% which is nearly double the Indian average of 26.10%.

Another aspect of the PMJDY is that it focuses on the supply side where more and more people are added under the financial inclusion programme, but the real benefits can be achieved through the operation of these accounts. Mostly these accounts remain underperform because of illiteracy, poverty or the types of products being offered is unsuitable to the account holders.

## CONCLUSIONS

PMJDY program strives to achieve complete penetration of banking services and microfinance facilities to the weak and poor sections of the society. Though many financial inclusion schemes have been launched before, PMJDY commands high importance due to its magnitude, geographical reach, scale of the impact and involvement of critical stakeholders - i.e. the Government, banks, and regulators. The Pradhan Mantri Jan Dhan Yojana (PMJDY) has yielded results and nearly 98 per cent of households in India now have bank accounts. Till date, PMJDY has registered a remarkable performance and continues to be the main driving force towards the goal of absolute financial inclusion. The scheme aims at building a holistic framework by integrating the other critical elements such as Aadhar,

Direct Benefit Transfer, and Direct Benefit Transfer for LPG. Cumulatively, these programmes are transforming India and altering the socio-economic landscape and achieving inclusive growth

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