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COMPARITIVE ANALYSIS OF PRADHAN MANTRI JAN DHAN YOJANA

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Abstract—*Financial inclusion is one of the most powerful ways to alleviate poverty. India is the home for about one third of the poor people in the world. They don't have access to financial services. The schemes of the Government do not reach the poor people because of their lack of financial literacy, corruption and others. Financial inclusion can help in poverty eradication, economic empowerment and inclusive growth*

The Prime Minister announced the Jan Dhan Yojana with the ambition of providing a bank account to every Indian. This paper tries to compare this scheme with its predecessors and other schemes launched by Government of India, Reserve Bank of India etc. and find out whether the scheme is actually something new or just a repetition. It also gives recommendations for further policy initiatives.

1. INTRODUCTION

The paper is organised in the following manner. Section 2 establishes the theoretical context for this study through a discussion the need for financial inclusion in India and the initiatives by Reserve Bank of India (RBI) and Government of India including PMJDY for this purpose. Section 3 compares the scheme with its predecessors. Section 4 offers a critical analysis of the same Section 5 uses these results to formulate policy recommendations Section 6 offers a conclusion.

2. REVIEW OF LITERATURE

2.1 FINANCIAL INCLUSION AND ITS IMPORTANCE

Financial inclusion is delivery of banking services at an affordable cost to the vast sections of disadvantaged and low income groups. Several countries across the globe now look at financial inclusion as the means for a more comprehensive growth, wherein, each citizen of the country is able to use his/her earnings as a financial resource that they can put to work to improve their future financial status and simultaneously contribute to the nation's progress[1]. The need for greater financial inclusion in India is well recognised. According to Census 2011, out of 24.67 crore households in the country, only 14.28 crore (58.7%) had access to banking services. Similar data from the World Bank suggests that only 35% of people had an account in a formal institution; only 8% had borrowed from a formal financial institution in the last 12 months, only 12% saved at a financial institution in the past year and only 8% had a debit card or had used the account to receive wages[2].

Table 1

Year	Rural	Urban	Total
1973-74	56.4	49.0	54.9
1977-78	53.1	45.2	51.3
1983	45.7	40.8	44.5
1987-88	39.1	38.2	38.9
1993-94	37.3	32.4	36.0
1999-2000	27.1	23.6	26.1
2009-2010	17.6*	13.8*	16.4*

Source: Selected socio-economic statistics published by the central statistical organization, Govt. of India
*shows projected and extrapolated figure

Financial inclusion has two elements: good financial decision-making (the 'demand side' of the equation) and access to suitable products and services (the 'supply side'). Good financial decision making requires financial literacy and financial capability. Mukherjee (2012) has examined the role and efficacy of the commercial banks doing business in the state of Jharkhand and their responsibility towards promoting financial inclusion.[3]

Ramji (2009) studied the drive for financial inclusion in Gulbarga region of Karnataka has noted that if there is coupling government programmes with financial inclusion may greatly increase access to bank accounts and shows potential to increase usage as well[4]. Garg and Agarwal (2014) have studied the various approaches adopted by Government of India to achieve financial inclusion and suggested the use of Information Communication Technology as well as development of innovative products for financial inclusion.[5]

Hans (2009) has studied the various microfinance initiatives in India he has found that MFIs have immense potential not only as a system of peer-to peer (p2p) lending but also as an avenue of social bonding [6]. Dangi 2013 has studied various initiatives of Reserve Bank of India and Government of India and has concluded that financial inclusion shows positive and valuable changes because of change in strength and technological changes. [7]. Cole, Sampson and Zia 2009 have studied the financial literacy in India and Indonesia; they have observed that financial literacy is an important predictor of financial behavior in the developing world. They have demonstrated that demand for bank accounts is highly sensitive to small financial incentives [8].

2.2 Measures Of Financial Inclusion

CRISIL Financial Inclusion Index (Inclusix) is a comprehensive financial inclusion index that has identified three critical parameters of basic banking services namely branch penetration, deposit penetration and credit penetration. Its methodology is similar to other global indices, such as UNDP's Human Development Index, World Bank's Ease of Doing Business Index and Economist Intelligence Unit's (EIU's) Quality of Life Index. The CRISIL Inclusix indicates that there is an overall improvement in the financial inclusion in India. The key findings for 2009- 2011 are as follows:

- The all-India CRISIL Inclusix score of 40.1 (on a scale of 100) is relatively low. It is a reflection of under-penetration of formal banking facilities in most parts of the country. The bottom 50 scoring districts have just 2 per cent of the country's bank branches.
- Deposit penetration (DP) is the ke y driver of financial inclusion in India. The number of savings bank accounts, at 624 million, is close to four times the number of loan accounts at 160 million.
- Focused efforts to enhance branch presence and availability of credit are extremely critical. The bottom 50 scoring districts in India have only 2,861 loan accounts per lakh of population, which is nearly one-third of the all India average of 8,012[9].

2.3 Pradhan Mantri Jan Dhan Yojana

Pradhan Mantri Jan -Dhan Yojna (PMJDY), is an ambitious programme for Financial Inclusion to ensure access to financial services, namely, Banking/ Savings & Deposit Accounts, Remittance, Credit, Insurance, Pension in an affordable manner. It aims to cover about 7.5 crore unbanked households in India. It was launched by the Prime Minister of India on 28.8.2014. In all more than 70000 camps were held all over the country and 1, 84, 68,000 accounts were opened in the first week of its launch.

Account can be opened in any bank branch or Business Correspondent also known as *"Bank Mitr"* outlet. PMJDY accounts can be opened with Zero balance. However, if the account-holders want to get cheque book, they will have to fulfill minimum balance criteria. It simplified the process of account opening. Any one document containing proof of identity and address such as: Aadhar card. Voter Identity card, Driving License, Permanent Account Number Card, Passport & NREGA (National Rural Employment Guarantee) Card is sufficient for opening a bank account. If a person does not have any of the documents mentioned above, but it is categorized as low risk' by the banks, then a bank account can be opened by submitting either his identity Card with applicant's photograph issued by regulatory Authorities or a letter issued by a gazette officer, with a duly attested photograph of the person. However, according to guidelines issued by RBI dated 22 August 2014, these accounts will be called small accounts and shall normally be valid for 12 months and shall be continued subject to showing of proof that the person has applied for any of the officially valid document within 12 months of opening of such 'Small Account''. These accounts have certain limitations such as balance at any point of time should not exceed Rs. 50,000, total credit in one year should not exceed Rs. 1 lakh, and total withdrawal should not exceed Rs. 10,000 in a month.

Special Benefits under PMJDY Scheme

a. Interest on deposit.
b. Accidental insurance cover of Rs.1.00 lakh
c. No minimum balance required.
d. Life insurance cover of Rs.30,000/-
e. Easy Transfer of money across India
f. Beneficiaries of Government Schemes will get Direct Benefit Transfer in these accounts.
g. After satisfactory operation of the account for 6 months, an overdraft facility will be permitted
h. Accidental Insurance Cover, RuPay Debit Card must be used at least once in 45 days.
i. Overdraft facility up to Rs.5000/- is available in only one account per household, preferably lady of the household.[10]

States Kerala, Punjab and Madhya Pradesh had reported 100 per cent saturation (coverage of all households with at least one bank account) as on November 30 2014. There were 1.53 crore Households of which 1.03 crore households had bank accounts. Goa, Kerala, Tripura and Union Territories of Chandigarh, Pondicherry and Lakshadweep and 19 districts of Gujarat had already covered all households under PMJDY with at least one bank account [11]. It was expected to be an opportunity to the ATM (automated teller machine) industry to more than double its network to 3 lakh machines in two years. The Finance Minister Mr. Arun Jaitley had expressed the target to open ATM if not a branch in every area and also cover every village through business correspondent for expansion of the banking network in the country [12].

3. COMPARISON BETWEEN PMJDY AND ITS PEERS

3.1 Comparison Between PMJDY And Swabhimaan

'Swabhimaan' is a financial security programme that was launched in February, 2011. The aim was to ensure banking facilities in areas with a population in excess of 2000 persons by March 2012.

This campaign ensured to provide the following services to the Rural India:

- To bring basic banking services to unbanked villages with a population of 2000 and above.
- To facilitate opening of banks accounts, provide need-based credit and remittance facilities besides helping in promoting financial literacy in rural India.
- To increase the demand for credit among the millions of small and marginal farmers and rural artisans who will benefit by having access to banking facilities.
- To provide branchless banking services through the use of technology.
- To provide basic services like deposits, withdrawals and remittances using the services of Business Correspondents (BCs) also known as "*Bank Saathi*".
- To enable Government subsidies and social security benefits to be directly credited to the accounts of the beneficiaries so that they could draw the money from the Business Correspondents (BCs) in their village itself.
- To make the benefits of micro insurance and micro pension products reach the masses through this banking linkage.
- To facilitate large number of migrant workers in urban areas to remit money to their relatives in distant villages quickly and safely.
- To enhance social security by facilitating the availability of allied services in course of time like micro insurance, access to mutual funds, pensions, etc.
- To provide banking facilities like Savings Bank, recurring Deposits, Fixed deposits, Remittances, Overdraft facility, Kisan Credit Card (KCCs), General Credit Cards (GCC) and collection of cheques.
- To facilitate transfer of government subsidies and other payments. [13]

Table 2

	PMJDY	Swabhimaan
Simplified documentation	✓	
minimum balance required	✓	
Accidental/ life/ micro insurance coverage	✓	✓
transfer of government subsidies	✓	✓
Using the services of Business Correspondents	✓	✓
Easy remittance	✓	✓
Provide banking with use of technology	✓	✓

It seems that PMJDY is another version of 'Swabhimaan' with the addition of the overdraft facility, of Rs 5,000 per household (backed by Credit Guarantee Fund to cover defaults), and life insurance cover of Rs 30,000 for first-time accounts. Swabhimaan scheme of the UPA which focused on villages, the PMJDY focuses on households, thereby covering both urban and rural areas. Swabhimaan scheme did not provide ATM card but PMJDY does.

3.2 PMJDY and No Frills Account

RBI had advised the banks in November 2005 to make available a basic banking by using the 'no-frills' account either with 'nil' or very low minimum balance with the name 'no-frills' account to make the basic banking facilities available to a vast majority of the population. The 'Basic Savings Bank Deposit Account' should be considered a normal banking service available to all. Its features were:

1. No requirement of any minimum balance.
2. The services available in the account will include deposit and withdrawal of cash at bank branch as well as ATMs; receipt/credit of money through electronic payment channels or by means of deposit/collection of cheques drawn by Central/State Government agencies and departments;
3. There will be no limit on the number of deposits that can be made in a month but account holders will be allowed a maximum of four withdrawals in a month.
4. Facility of ATM card or ATM-cum-Debit Card without any charges no charge will be levied for non-operation/activation of in-operative
5. The above facilities will be provided. Further, 'Basic Savings Bank Deposit Account'.
6. The 'Basic Savings Bank Deposit Account' would be subject to RBI instructions on Know Your Customer (KYC) / Anti-Money Laundering (AML) for opening of bank accounts issued from time to time. If such account is opened on the basis of simplified KYC norms, the account would additionally be treated as a 'Small Account.'
7. Holders of 'Basic Savings Bank Deposit Account' will not be eligible for opening any other savings bank deposit account in that bank. If a customer has any other existing savings bank deposit account in that bank, he/she will be required to close it within 30 days from the date of opening a 'Basic Savings Bank Deposit Account'. [14]

3.3 PMJDY and SHG Bank Linkage Programme

The main aim of this programme is to encourage the poor to save and tap the potential of the concept of Self Help Group to bring banking services to the poor, especially the women.

It includes SHGs introducing voluntary savings in groups or banks encouraging SHG members to open individual bank accounts for depositing their surpluses.

Cheap refinance at 6.5 percent interest rate is provided to support financial institutions for lending to SHGs At the SHGs' level a large number of members are trained to equip them with skills to handle SHG management in a better way. Special assistance has been given to select RRBs and NGOs to come up as Self-Help Promoting Institutions (SHPIs). [15] It has led to a reduced poverty by increasing income, reduced dependency on informal money lenders and other non institutional sources, empowered women, enabled households to spend more on education, helped reduce child mortality and improve maternal health through better nutrition and housing.

This scheme can be actually called as a financial inclusion scheme because it has actually impacted the poor. However, on comparison with PMJDY it has been seen that it has no similarity with PMJDY. This scheme can be used for effective implementation of PMPJDY.

3.4 PMJDY and Kisan Credit Card Scheme

The Kisan Credit Card (KCC) has emerged as an innovative credit delivery mechanism to meet the production credit requirements of the farmers in a timely and hassle-free manner. The Kisan Credit Card Scheme aims at providing adequate and timely credit support from the banking system under a single window to the farmers for their cultivation & other needs such as to meet the short term credit requirements for cultivation of crops, post harvest expenses, produce marketing loan, consumption requirements of farmer household ,working capital for maintenance of farm assets and activities allied to agriculture, like dairy animals, inland fishery etc., investment credit requirement for agriculture and allied activities etc. KCC holders have been covered under Personal Accident Insurance Scheme against accidental death or permanent disability, up to maximum amount of Rs. 50000/- and Rs. 25000/- respectively. The premium burden will be shared by the card issuing institutions and the borrower in the ratio of 2:1. The validity of KCC for 5 years, there is no processing fee up to a limit of Rs. 3.00 lakh, there is one time documentation for loans. The disbursement of loan in done through various delivery channels, including Information Communication Technology (ICT) driven channels like ATM/ PoS/ Mobile handsets. [16]

PMJDY has tried to give benefits to the KCC holders. The KCC would be available for farmers for availing Credit card facilities. On the successful completion of 6 months of opening the **Jan Dhan Yojna** account, the account holder can avail a loan from the bank not exceeding Rs. 5000.

4. CRITICAL ANALYSIS OF PMJDY

1. The PMJDY focuses too much on speed and numbers without adequate attention on implementation.
2. Threat of fake accounts: According to the RBI executive director, people can open accounts using different identity documents like PAN Cards and Aadhaar in the lure of getting the accidental insurance cover.[17] Recognising this challenge, Government Of India has now tried to enlist KPMG to undertake verification – but that is happening post-facto.[18]
3. Reserve Bank of India governor Raghuram Rajan also cautioned banks against hasty implementation of the scheme "The objective of the scheme is universality (of bank accounts), it is not just speed or numbers,". [19]
4. Customers should be made aware of the possible frauds and thefts by disclosing the ATM Pin to strangers.
5. ATM cards are piling up at branches.
6. Low discretion for bankers

5. SUGGESTIONS AND POLICY RECOMMENDATIONS

1. Target guidelines should be relaxed to ease off the pressure of numbers from the bankers.
2. Banks should initiate suitable training and skill development programmes for effective functioning of Bank mitr
3. Help of Self Help Groups (SHG) and Micro Finance Institutions can be taken to implement the scheme
4. Setting up of new ATM
5. Taking help of corporate because initiatives like ITC E-Choupal/ E- Sagar, Haryali Kisan Bazaar (DCM), Project Shakti (HUL) etc have been very successful.
6. Involvement of private sector banks
7. Measures to avoid duplication of data
8. Increasing financial literacy.
9. Using Post offices for this scheme: Post offices (POs) are closest to the rural people compared to bank branches.

6. CONCLUSION

The purpose of this policy is financial inclusion but unrealistic targets and hasty numbers are making this scheme lose its purpose. Financial inclusion is a slow process it cannot happen within a few months. It requires dedicated efforts to spread financial literacy. If financial literacy will increase automatically the demand for financial products will increase.

There is no single and clear solution for the problem as financial inclusion in a vast country like India. Banking is a habit and any habit formation requires times therefore a change in mindset with focus on achieving the policy intent rather than target numbers.

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