

**PRADHAN MANTRI JAN-DHAN YOJANA AND INCLUSIVE  
GROWTH**

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**ABSTRACT**

*Pradhan Mantri Jan-Dhan Yojana (PMJDY), a human development scheme, is an important financial inclusion scheme which is announced on 15<sup>th</sup> August, 2014 by the Honourable Prime Minister Sri Narendra Modi. On the inauguration day, 15 million bank accounts were opened under this scheme. This scheme has been working as a mission in the national level. All the rural and urban households of our country have got the right of minimum economic servicing from the bank through opening bank account at an affordable cost. The basic purpose of this universal financial inclusion is to bring the weaker section of the society particularly women, small and marginal farmer, rural and urban labourers, weaker section of the slum area to the basic banking services so that weak economy can be strong successful one. The main objective of the study is to analyse the impact the scheme of Pradhan Mantri Jan-Dhan Yojana on inclusive growth. The study is mainly based on secondary data collected from Ministry of Finance Department, Government of India. Moreover, data have also been collected from various research papers, books and internet.*

*Financial inclusion is a continuous process of bringing the disadvantaged and low income groups of the society into basic banking services at an affordable cost in an inclusive manner to make them bankable and protect from rural giants of informal financial sector of money lenders. In India, the basic concept of financial inclusion is having a savings account or current account with any bank. To know the impact of PMJDY on inclusive growth, it has been discussed the progress report of the scheme of PMJDY. It was found that by the 8<sup>th</sup> March, 2017 total 27.97 crore people opened up their accounts under the scheme whereas 16.79 crore accounts were rural and 11.18 crore were urban. Total number of Rupay cards is 21.85 crore. Again, it was also found that zero balance account was 23.94 crore. It can be concluded that Pradhan Mantri Jan-Dhan Yojana plays an important role towards inclusive growth to bring the disadvantaged and low income groups of society at an affordable cost. This scheme affects the rural people more as compared to the urban one to open up accounts to the banks. In this way, this scheme has been able to inspire hope in the life of billion of rural poor people by creating accounts in the banks with an affordable cost. This scheme has opened up a new way of future development all over the country.*

**Keywords:** *Inclusive Growth, Financial Inclusion, Rupay Card, Economic Development*

**INTRODUCTION**

Economic resources of a country should be utilised for the well-being of the poor and the actual economic change will come from this point of view. This economic change would

bring equality in the distribution of wealth and as a result, this change can eliminate the economic disparity in the society and it is possible through financial inclusion.

The growth story of Indian economy has been remarkable in the recent years. During 2005-06 to 2007-08 it has achieved an average growth rate of 9.47 per cent, though declined somewhat afterwards in the wake of global financial crisis. Even then it was able to maintain a decent average growth rate of 7.76 per cent for the period 2008-09 to 2010-11. Further, it is expected that the growth is likely to average 8.2 per cent for the Eleventh Five Year Plan (2007-12) which is less than the targeted 9 per cent but above 7.7 per cent achieved during the Tenth Five Year plan.

But in terms of Human Development Index, India is lagging behind China, Sri Lanka and many other African and Latin American countries. India has a rank of 130 in the Human Development Index (HDI) among the 188 countries ranking done by the UNDP (Human Development Report, 2015). Similarly, in terms of other indicators like poverty, unemployment and regional disparities India has lot more to do.

For financial inclusion, the government of India has undertaken various measures. However, poverty and exclusion continue to dominate socio-economic and political discourse in India even after six decades of post economic independence era. Though economy has shown impressive growth during post liberalization era of 1991, impact has not been reached equally to all sections of the society and therefore, India is still home of 1/3<sup>rd</sup> of world's poor. Census, 2011 estimates that only 58.7 per cent of the households have access to banking services. 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 per cent) and 23,334 ATMs (14.58 per cent) are in rural areas. The statistics show that there is substantial progress towards opening of accounts, providing basic banking services during the recent years as indicated above. However, it is essential that all the sections be financially included in order to have financial stability and sustainability of the economic and social order. According to Demirguc-Kunt and Klapper (2012), only 35 per cent of Indian adults had access to a formal bank account and 8 per cent borrowed from a formal financial institution in last 12 months. Therefore, it is 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. Otherwise inclusive growth or universal economic development is not possible.

Under this background, the Honourable Prime Minister Sri Narendra Modi had declared a human development scheme called Pradhan Mantri Jan-Dhan Yojana. This financial inclusion campaign was launched on 28<sup>th</sup> August 2014. It had been announced on the Independence Day on 15<sup>th</sup> August, 2014. On the inauguration day, 15 million bank accounts were opened under this scheme. This scheme has been working as a mission in the national level. All the rural and urban households of our country have got the right of minimum economic servicing from the bank through opening bank account at an affordable cost. The basic purpose of this universal financial inclusion is to bring the weaker section of the society particularly women, small and marginal farmer, rural and urban labourers, weaker section of the slum area to the basic banking services so that weak economy can be strong successful one.

### **OBJECTIVES OF THE STUDY**

The main objective of the study is to assess the role of Pradhan Mantri Jan-Dhan Yojana towards inclusive growth. The other objectives of the study are:

1. To know the features of Pradhan Mantri Jan-Dhan Yojana;
2. To know the total number of account holders under PMJDY;
3. To know the advantages of the scheme;
4. To know about the concept of inclusive growth;

### **DATA AND METHODOLOGY**

The study is mainly based on secondary data collected from Ministry of Finance Department, Government of India. Moreover, data have also collected from various research papers, books and internet.

### **PURPOSE OF THE SCHEME PMJDY**

It has been felt that without inclusive growth, it is not possible to improve the position of HDI of our country. To bring inclusive growth, the government of India has undertaken different schemes in recent times such as (i) Micro Units Development and Refinance Agency (ii) Self Employment and Talent Utilization (iii) Skill India (iv) Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) (v) Kisan Card (vi) Pradhan Mantri Krishi Sinchayee Yojana (PMKSY) (vii) National Agriculture Market (NAM) (viii) Pradhan Mantri Jeevan Jyoti Beema Yojana (ix) Pradhan Mantri Jeevan Suraksha Yojana (x)

Atal Pension Yojana(Social Security Schemes) (xi) Digital India programme(for delivering benefits even to the last person) etc., to provide credit facilities to the poor since the nationalization of fourteen major Commercial Banks in 1969. In the year 1975 Regional Rural Banks were set up with the objective of priority sector lending which targeted rural poor and weaker section of the society. Different programmes were also designed to reach the poor people. However, experience over the years shows that most of the government implemented credit programmes have not been successful and as a result, poor are not able to avail formal credit. During 1999-200, government had launched a popular anti-poverty programme called Swarnajayanti Gram Swarozgar Yojana. With the help of this scheme, it has been possible to bring many poor people of our country under the basic banking services. Yet, it is seen that about 2/3 of the total households has remained outside the basic banking services in our country. During the time of their distress when the poor are in dire need of credit support they have not got any credit from the bank since they have nothing to give as collaterals. As a result, they have to go to the informal sources such as money lenders, land lord, traders and so on for meeting their credit needs. The interest rate of informal sources is very high. This exorbitant rate of interest forced the borrowers to become the bounded labours and to remain in debt till death. It is needed to bring this disadvantaged, deprived and extorted poor people under the basic banking services so that inclusive growth is occurred.

Under the circumstances, Pradhan Mantri Jan-Dhan Yojana (PMJDY) was launched to connect the weak and disadvantaged section that are deprived from the main stream of the economy with the national economy. This scheme is an India's National Mission for financial inclusion to ensure access to financial services, namely banking savings and deposit accounts, remittance, credit, insurance, pension in an affordable manner.

### **CHARACTERISTICS OF PMJDY**

The scheme has been started with a target to provide 'universal and clear access to banking facilities' starting with "Basic Banking Accounts" with overdraft facility of ₹ 5,000 after six months and Rupay Debit card with inbuilt accident insurance cover of ₹1 lakh and RuPay Kisan Card. The main features of this scheme are given below:

1. Under the scheme account holders will be provided bank accounts with no minimum balance.
2. Rupay debit cards have been issued.

3. Accidental insurance cover of ₹1 lakh.
4. After six months of opening of the bank account, holders will be eligible for ₹5,000 overdrafts from the bank.
5. The scheme provides life cover of Rs. 30,000/- payable on death of the beneficiary, subject to fulfilment of the eligibility condition.
6. Easy Transfer of money across India
7. Beneficiaries of Government Schemes will get Direct Benefit Transfer in these accounts.
8. Access to pension, insurance products.

### **ADMINISTRATIVE STRUCTURE OF MISSION PMJDY**

To accomplish the scheme PMJDY an administrative structure is made which is given below in table 1. From the table it is found that there have been four heads under this scheme namely the Union Finance Minister, Secretary, Joint secretary and Director. The Union Finance Minister is the head of the Mission. The Secretary is the in-charge of the Mission. The Joint Secretary and Director are the Mission director and Director respectively.

**Table: 1**  
**Administrative Structure of Mission PMJDY**

<b>Headed by</b>	<b>Name</b>	<b>Role</b>
Finance Minister	Arun Jaitley	Mission Head
Secretary	Anjuly Chib Duggal	Mission in-charge
Joint Secretary	Amit Agrawal	Mission Director
Director	Ashok Kumar Singh	Director

#### **Phase I (15<sup>th</sup> August ,2014, to 14<sup>th</sup> August,2015):**

The Phase-1 of Pradhanmantri Jan-Dhan Yojna begins on the 15<sup>th</sup> August 2014 and it will continue till 14<sup>th</sup> August 2015. In the first phase, it has been focused on opening a bank account and providing credit facilities for those who are outside the banking system in urban and rural India.

#### **Phase II (15<sup>th</sup> August 2015- to 15<sup>th</sup> August 2018)-**

Creation of Credit Guarantee Fund for coverage of defaults in overdraft accounts micro insurance unorganized sector pension schemes. 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.

## **INCLUSIVE GROWTH AND FINANCIAL INCLUSION**

Nowadays, inclusive growth is a buzz-word among developed and developing countries. Its importance is increasingly being recognized by the policy makers. It is a strategy of economic development. Inclusion of each and every section of the society in the process of economic development and achieving growth with equity is the basic objective of inclusive growth. Inclusive growth means broad-based growth or shared growth. Growth is inclusive when it creates economic opportunities along with ensuring equal access to each and every section of the society. Inclusive growth is necessary for sustainable development and equitable distribution of wealth and prosperity. Achieving inclusive growth is the biggest challenge in a country like India. In India, bringing a large number of rural masses into the mainstream is the biggest concern. The challenge is to take the levels of growth to all section of the society and to all parts of the country. The best way to achieve inclusive growth is through financial inclusion.

There is a growing concern among the policy-makers and academicians that the fruit of the present economic growth be enjoyed by all sections of the Indian society. Access to financial services is essential to the poor. Financial services enable the poor to maximize the returns on their surplus, smooth their consumption and reduce their vulnerability. They use various form of financial to meet their needs. If we provide facilities of financial services to all, it will lead to an inclusive growth. So there is a belief that if there is a faster growth it leads to inclusive growth as explained in trickledown theory.

The term financial inclusion has gained importance since early 2000s. Financial inclusion is a continuous process of bringing the disadvantaged and low income groups of the society into basic banking services at an affordable cost in a inclusive manner to make them bankable and protect from rural giants of informal financial sector of money lenders.

Financial inclusion means providing the financial services at affordable costs to the sections of disadvantaged and low- income segment of society or to those who are not having access to banking sector so that they can also enjoy basic banking facilities and they can be integrated with formal banking system. In India, the basic concept of financial inclusion is having a savings account or current account with any bank. But in reality, it includes current account, savings account, no frills, loan, insurance, ATM service and so on. An estimated 2 billion working-

age adults globally have no access to the types of formal financial services delivered by regulated financial institutions. It is argued that as banking services are in the nature of a public good, the availability of banking and payment services to the entire population without discrimination is a key objective of financial inclusion.

In order to ensure financial inclusion, various initiatives were taken up by RBI like nationalization of banks, expansion of banks branch network, establishment and expansion of cooperative and regional rural banks, lead bank scheme, formation of self-help groups (SHGs) etc. RBI vide Mid-term Review of Annual Policy Statement for the year 2005-2006, advised Banks to align their policies with the objective of financial inclusion. RBI advised banks to make available a basic banking 'no frills' account either with 'nil' or very minimum balances as well as charges that would make such accounts accessible to vast sections of population. Besides, it has been emphasized upon by the RBI for deepening and widening the reach of financial services so as to cover a large segment of the rural and poor sections of population. RBI in the year 2006, with the objective of ensuring greater financial inclusion and increasing the outreach of the banking sector, decided in public interest to enable the banks to use the services of NGOs, SHGs, MFIs and other organizations as intermediaries in providing financial and banking services through use of "Business Facilitator and Business Correspondent Model". Census 2011 estimated that out of 24.67 crore households in the country, 14.48 crore (58.7 per cent) households had access to banking services. Of the 16.78 crore rural households, 9.14 crore (54.46 per cent) were availing banking services. Of the 7.89 crore urban households, 5.34 crore (67.68 per cent) 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. However, the programme 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 per cent) and 23,334 ATMs (14.58 per cent) 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.

Availability of banking services between 2001 and 2011 Census has been shown in the following table 2. From the table it is found that in Census 2001, 30.1 per cent rural households, 49.5 per cent urban households and total 35.5 per cent households have access to

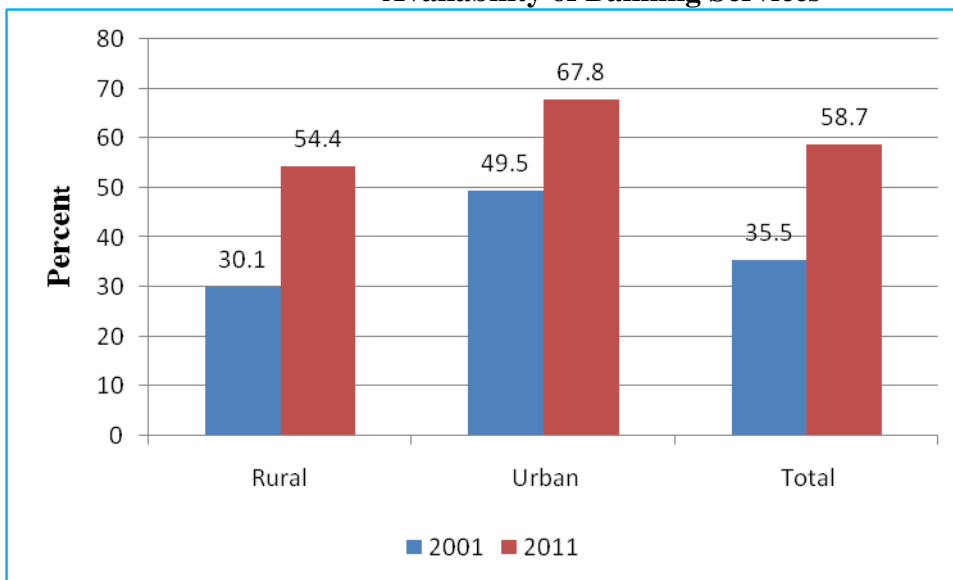
banking services. However, Census 2011 estimates that only 58.7 per cent of the households have access to banking services.

**Table:2**  
**Availability of Banking Services**

Year	2001	2011
Rural	30.1	54.4
Urban	49.5	67.8
Total	35.5	58.7

Source: Pradhan Mantri Jan-Dhan Yojana, Ministry of Finance

**Figure:1**  
**Availability of Banking Services**



## **PRADHAN MANTRI JAN-DHAN YOJANA AND FINANCIAL INCLUSION**

Pradhan Mantri Jan Dhan Yojna has emerged as tool facilitating sustainable approach towards inclusive growth through financial inclusion. This scheme was started by the Ministry of Finance, Department of Financial Services, Government of India, with a wide vision to provide access to banking facilities to those people who are not having any bank accounts or still unbanked from formal banking sector, so that they can also be involved in banking sector which is necessary for economic development and for the welfare of poor people. Under this scheme, people will get basic bank accounts with insurance facility and an additional facility of overdraft. Thus, they will avail benefit offered by banks and facilities provided by government and will be



able to develop small savings habits among them, and it will enhance capital formation, which will in result increase economic development of country (Kaur & Singh, 2015). To know the impact of PMJDY on financial inclusion we have discussed the progress report of the scheme of PMJDY. Bank wise account holders under the scheme are shown in the following table 3. In the table there are three types of banks. These are public sector banks, rural regional banks (RRB) and private bank.

**Table: 3**  
**Accounts Opened as on 08.03.2017 (All figures in Crore)**

Bank Name	Rural	Urban	Total	No of Rupaya Card	Balance in Accounts	% of zero balance Accounts
Public Sector Bank	12.27	10.16	22.43	17.53	50030.71	24.14
RRB	3.98	0.66	4.64	3.48	11635.99	20.81
Private Bank	0.54	0.36	0.90	0.84	2218.65	34.91
<b>Total</b>	<b>16.79</b>	<b>11.18</b>	<b>27.97</b>	<b>21.85</b>	<b>63885.35</b>	<b>23.94</b>

Source: Information is based upon data as submitted the by different banks/SLBCs

From the table it is found that by the 8<sup>th</sup> March 2017 total 27.97 crore people opened up their accounts under the scheme whereas 16.79 crore accounts are rural and 11.18 crore are urban. Total number of Rupaya cards is 21.85 crore. From the table it is also seen that percentage of zero balance account is 23.94 crore.

**Table:4**  
**Bank wise and year wise total number of accounts (figure in cumulative)**

Bank	2014	2015	2016	2017
Public Sector Bank	1214214	115444945	191206765	224292694
Private Bank	43,954669	25611854	41322944	46430687
Rural Regional Bank	8593896	6106680	8478675	9009378
<b>Total</b>	<b>53762779</b>	<b>147163479</b>	<b>241008384</b>	<b>279732759</b>

Source: Information is based upon data as submitted the by different banks/SLBCs

Bank wise and year wise cumulative accounts are given in table 4. From the table it is seen that as on 31<sup>st</sup> March, 2014 more than 5 crore bank accounts have been opened. Till 2015 this figure stands at more than 14 crore. The number of accounts opened under the scheme

reached more than 24 crore by 31<sup>st</sup> March, 2016. Till 8<sup>th</sup> March, 2017 this figure reached at more than 27 crore.

## CONCLUSION

From the above results and discussion it can be concluded that Prime Minister Jan-Dhan Yojana is really a successful step in providing access to bank account to the urban as well as rural needy people of the country. It is a successful step for financial inclusion because within a short period the number of accounts opened under the scheme reached more than 27 crore during year 2014 to 2017. This scheme affects the rural people more compared to the urban one to open up accounts to the banks. This scheme has been able to inspire hope in the lives of thousands of rural people by creating new bank accounts with an affordable cost. Banks have brought multipurpose easy ways in the transaction process in rural areas such as E-KYC, USDD Mobile Banking, IMPS, micro ATM, national unified platform, RuPay debit card etc. As a result, it has been possible to bring a large number of rural masses in the main stream of economic development. Therefore, it is clear that Prime Minister Jan-Dhan Yojana no doubt plays an important role towards inclusive growth.

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