

Banking the Unbanked: Assessing the Effectiveness of PMJDY

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Abstract—In this policy review I just mentioned a detailed explanation of facts and issues and explained challenges in this policy and gave some suggestive measures. This policy review is not a biased one and it does not criticize both government or public, Under the Narendra Modi administration, the Pradhan Mantri Jan Dhan Yojana (PMJDY) was introduced on August 28, 2014, with the goal of enabling cheap access to financial services such bank accounts, remittances, loans, insurance, and pensions. The goal of this program is to promote financial inclusion by bringing the economically disadvantaged and impoverished segments of society into the formal banking system. Millions of new bank accounts have been successfully opened by the program since its launch. This review highlights obstacles, examines the PMJDY's results, and evaluates its implementation. It also suggests possible changes to improve the success rate of the plan. Even though PMJDY has achieved great progress in promoting financial empowerment, issues including insufficient financial literacy, unequal service quality, and dormant accounts continue to be common. To gain understanding of the operational features and effects of the PMJDY, our technique includes a thorough review of all available data, reports, and academic papers. Despite its successes, the PMJDY has faced challenges. Initial phases saw issues such as duplicate accounts, accounts with little to no activity, and gaps in the delivery of benefits like insurance. Furthermore, the effective usage of accounts remains a concern, with many account holders not fully availing the financial services provided. The digital literacy gap in rural and semi-urban areas also poses a barrier to maximizing the benefits of financial inclusion. In order to optimize the policy's reach and efficacy, we close with recommendations that centre on continued participation, increased financial awareness, and improved service quality.

Key words—Financial Inclusion, PMJDY, Banking Accessibility , Government Schemes India, Un-banked Population, Microfinance, Rural Banking, Digital India, Jan Dhan Accounts, Socio-economic Development

I. INTRODUCTION

The Pradhan Mantri Jan Dhan Yojana (PMJDY), which was introduced with the tagline "Mera Khatha, Bhagya Vidhatha," is a key initiative designed to promote financial inclusion in India. The goal was lofty: to give the less fortunate members of society access to inexpensive and easily available financial services by integrating them into the banking system. Ensuring that financial services reach the final mile is one way that PMJDY aims to stimulate economic growth and lessen income inequality. RuPay debit cards were made available, basic savings bank deposit accounts could be opened with no paperwork, and access to credit, insurance, and pension goods were all made possible under the policy. Additionally, if the account operated satisfactorily, the policy encouraged the establishment of accounts with features like overdraft protection. The necessity to objectively assess the PMJDY's performance in achieving its goals, the difficulties it has encountered, and potential improvements to its implementation make this policy review pertinent. Considering the policy encouraged the establishment of accounts with features like overdraft protection size and reach of the project, comprehending its effects is essential for developing future policies meant to improve the financial security of India's most marginalized citizens. The policy was rolled out in two phases; the first phase (2014-2015) focused on creating basic banking accounts and issuing debit cards accompanied by inbuilt accident insurance. The second phase (2015-2018) emphasized the provision of micro-insurance products and pension schemes for the unorganized sector. Such comprehensive coverage aimed to address the vulnerabilities associated with financial emergencies and life's uncertainties. The policy encouraged the establishment of accounts with features like overdraft protection. Even though PMJDY has achieved great progress in promoting financial empowerment, issues including insufficient financial literacy, unequal service quality, and dormant accounts continue to be common.

Benefits of Pradhan Mantri Jan Dhan Yojana



II. LITERATURE REVIEW

The country's rank was 135 in 2013 according to the 2014 report. India up 5 spots, ranks 130th from 135th in Human Development Index. This indicates that the efforts and initiatives of Nation are going generating fruitful results (Birla, 2021). There are lacunae for cross-sectional studies of FII at the all-India district level for a more extended period. There is likewise a dearth of a far-reaching study that investigates government plans' viability, especially the PMJDY, in-financial inclusion throughout its inception at subnational level. The present study bridges this gap by generating India's district-level FII for the years 2011–2018. A single number between 0 and 1, which denotes full financial exclusion and full financial inclusion, is used by the FII to record information on the many facets of financial inclusion.

(Yadav, 31 December 2020)

Within six months of the launch of PMZDY i.e., from 28/08/2014 to 31/01/2015 more than 12.5 crore accounts were open with deposit balance of Rs. 10,499.62 crore under the scheme. Approximately 7.5 crore (59.78%) of these accounts were active under rural regions, whereas over 5 crore (40.21%) accounts were under urban areas. More than 9.8 crore (78%) accounts were opened by Public Sector banks while more than 2.17 crore (17%) accounts were opened by Rural Regional Banks (RRB's) whereas only 4% accounts were opened by Private banks. This number (12.5 Crore) is more than 32% of the total accounts opened (38 Crore) till March 2020. (Satish Modi*)

III. BACK GROUND

The Pradhan Mantri Jan Dhan Yojana's cornerstone is tackling India's sizable unbanked population, which the World Bank estimates to have comprised 47% of adult citizens in 2014. Many Indians did not have access to basic banking services prior to PMJDY, which made it difficult for them to get government benefits and financial goods. This financial exclusion was a major hindrance to socioeconomic advancement. As a reaction, PMJDY was designed as a mechanism to guarantee that financial services were available to all societal sectors, with a focus on rural and economically disadvantaged populations. The PMJDY represents a significant step in leveraging technology and government infrastructure to extend financial services to the masses, especially in rural areas. Under the scheme, an individual can open a bank account with zero balance, although having some money in the account does earn interest. Each account holder is also entitled to a RuPay debit card, an accidental insurance cover of Rs. 1 lakh later increased to Rs. 2 lakhs, and a life cover of Rs. 30k is paid for beneficiaries' death. Overdraft facilities were also made available once the account had been operational for six months. The scheme has been pivotal in promoting several government policies, including direct benefit transfers DBT related to various subsidy programs. This direct transfer mechanism not only enhances the efficiency of delivering governmental benefits but also reduces the scope for corruption and leakage of funds. By January 2015, the scheme had led to the opening of over 115 million bank accounts, reflecting the substantial outreach and acceptance of the initiative.

In addition to being an aspect of India's larger plan to fight poverty and promote economic development, it was in line with global efforts for greater financial inclusion. The program was first introduced as a part of a larger initiative by the Indian government to restructure the financial services sector and provide extensive socioeconomic advantages to the previously marginalized age brackets.

IV. CHALLENGES IN THE POLICY

Although being widely embraced, the Pradhan Mantri Jan Dhan Yojana has substantial obstacles that limit its success. The prevalence of zero-balance accounts, which suggests poor utilization among new account holders, is one significant problem. At the outset, a significant portion of these accounts had only the initial amount deposited, indicating that regular financial activity had not been converted into integration into the financial system. A further obstacle is the target population's variable level of service quality and financial knowledge, which frequently results in a misperception of the goods being offered or a reluctance to utilize banking services because of cultural or prior experiences. The efficacy of PMJDY is added to by the infrastructure limitations observed in rural and remote areas, such as insufficient banking facilities and problems with internet access. Operational risks, including as fraud and poor management, increase these difficulties by eroding systemic confidence. Another barrier is the target population's variable level of service quality and financial knowledge, which frequently results in a misunderstanding of the goods being offered or refusal to utilize banking services because of cultural or prior experiences. The effectiveness of PMJDY is further restricted by the infrastructure limitations seen in rural and isolated locations, such as limited banking facilities and problems with internet access. Operational risks, like as fraud and poor management, increase these difficulties by weakening systemic confidence.

V. METHODOLOGY

In order to combine data from an array of sources, including government reports, financial records, academic journals, and reports from international organizations like the World Bank and IMF, this policy assessment uses a qualitative analytical technique. To evaluate the PMJDY's quantitative achievements, we first look at the administrative

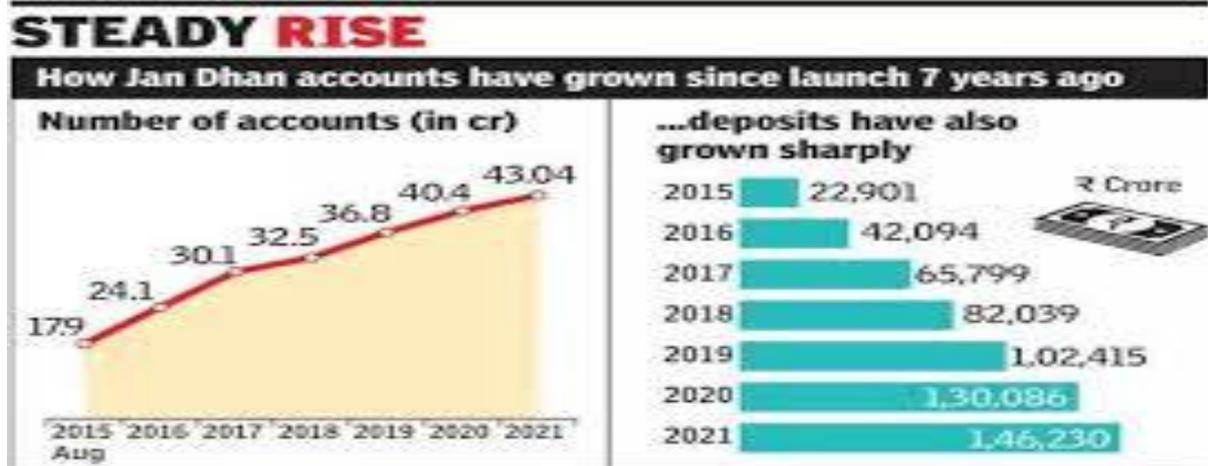
statistics made public by the Department of Banking and Finance and other related ministries. After that, research papers and case studies provide light on the economic effects of policy implementation as well as its qualitative features. Furthermore, the review will incorporate qualitative research methodologies including interviews and case studies. Interviews will be conducted with a diverse range of stakeholders, including beneficiaries, bank employees, policy makers, and financial experts. These interviews aim to gather insights into the user experience of the account holders, the challenges faced by banks in implementing the scheme, and the policy's effectiveness in achieving financial inclusion. Additionally, case studies from various states and regions will be examined to understand the regional variations in the implementation and success of PMJDY. This will help identify best practices and areas needing improvement. The integration of these methodologies will allow for a comprehensive analysis of the PMJDY, providing not only statistical validation of its success or shortcomings but also deeper insights into its impact on the financial inclusion of the underserved and marginalized sections of the population. First-hand details regarding the target demographic's reaction to the policy are collected through benefit evaluations and interviews. Furthermore, a comparative examination of PMJDY's strengths and shortcomings with those of other financial inclusion initiatives in other nations offers a global viewpoint. This thorough approach supports a grounded study of prospective changes by providing a deep grasp of the PMJDY's issues as well as its triumphs. (Foundation)

VI. OUTCOMES OF THE POLICY

Since the beginning, the Pradhan Mantri Jan Dhan Yojana has made major improvements possible. The opening of more than 400 million bank accounts is a major achievement in financial inclusion. The aggregate deposits in these accounts have surpassed ₹1.3 lakh crores, suggesting a rise in financial involvement. The availability of RuPay debit cards together with the corresponding accident insurance coverage has improved the usefulness of these accounts even further. Additionally, by guaranteeing that government subsidies reach recipients directly and openly, the program has set the foundation for direct benefit transfers (DBT), which will lessen corruption and leakage. From an economic standpoint, the augmented influx of capital into the

banking industry has reinforced deposit bases, so increasing the banks' capacity to extend credit. Through defending their financial identities and enabling savings, which are essential for sound financial planning and stability—the PMJDY has socially empowered excluded groups. Women have seen a rise in financial liberty; they make up a sizable portion of newly opened accounts. As of March 2021, over 400 million bank accounts were opened under the scheme. Importantly, about 55% of these accounts belong to women, and nearly two-thirds are in rural and semi-urban areas, highlighting the program's reach among demographics traditionally underserved by conventional banking systems. Financially, the PMJDY has also facilitated the direct transfer of government benefits to beneficiaries' bank accounts, which has helped reduce leakages, cut

down on corruption, and improve efficiency. During the COVID-19 pandemic, this aspect proved crucial as it allowed for swift and targeted disbursement of financial aid to millions of underprivileged families. Moreover, the introduction of the RuPay debit card, linked to the PMJDY accounts, has encouraged digital financial transactions and increased financial literacy among rural populations. The accident insurance cover provided under the scheme also adds a layer of security to economically vulnerable families. Even with these favourable results, there is still a problem with dormant accounts because a sizable portion of accounts are still inactive. As a result, the achievement of PMJDY offers a heterogeneous picture in which the fundamental goals of inclusion are achieved to differing degrees of success. (Chatterjee, 2016)



VII. SSUGGESTIVE REFORMS

A number of improvements are proposed to improve the Pradhan Mantri Jan Dhan Yojana's effectiveness and solve its problems. First off, enhancing financial awareness via focused educational initiatives can promote bank account usage that is proactive. These initiatives ought to be conducted in the native tongues, with an emphasis on underprivileged and rural populations. Secondly, encouraging consistent account usage with rewards like interest or low credits might help cut down on the number of inactive accounts. Thirdly, banking may be made more accessible and user-friendly by employing technology-driven solutions and expanding the number of banking correspondents to improve the quality of service provided by banks, particularly in rural regions. Furthermore, combining more sophisticated financial products with low-income specific requirements and integrating financial services with mobile technologies may help close

gaps in the provision of services. the level of financial literacy remains relatively low among new account holders, which impacts their ability to utilize banking services effectively. Strengthening the financial literacy component of PMJDY would enable beneficiaries to make informed decisions about savings, investments, and other financial products. This could be implemented through targeted programs at the community level, utilizing local languages and digital tools for broader outreach. In it is imperative to establish ongoing monitoring and assessment systems to guarantee accountability and openness in the implementation of the policy. (B. Chandra Mohan Patnaik, 2015)

VIII. CONCLUSION

The Pradhan Mantri Jan Dhan Yojana is a significant attempt aimed at promoting financial inclusion in India, having noteworthy effects on both the economic and social fronts. The program has

effectively increased access to banking for those who were previously unbanked and made it easier for government services to be provided. Still, there is a need for continuous changes because of the permanence of dormant accounts, the difficulties caused by low financial literacy, and infrastructure deficiencies. To fully realize the potential of PMJDY, policy enhancements through enhanced banking services, greater rewards for account usage, and educational campaigns are essential. The study indicates that although the program has laid down a strong basis for financial inclusion, it would be necessary for it to keep evolving in order to meet the new demands and difficulties facing the Indian financial industry. In order to achieve larger economic goals and maintain India's growth trajectory, it will be essential to guarantee that the advantages of financial inclusion are experienced by every section of society. A key conclusion drawn from the policy review of PMJDY is its significant success in broadening the financial ecosystem to include the underprivileged and unbanked segments of the society. As of recent data, the scheme has resulted in the opening of over 400 million bank accounts, with a substantial portion belonging to women and individuals from lower-income groups. This initiative not only facilitated direct benefit transfers linked with government schemes, thereby reducing leakage and promoting transparency, but also encouraged savings and financial literacy among the masses.

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